

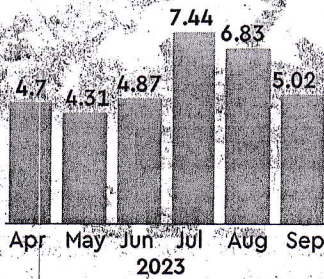
Oct inflation seen at 5-month low of 4.8%

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INDIA'S CONSUMER PRICE Index (CPI) - based inflation likely fell to a five-month low of 4.8% in October from 5.02% in September, primarily due to the statistical effect of a high base and decline in prices of key vegetables, according to an FE poll of 15 economists. Core inflation is likely to remain flat during the month aided by favourable base effect. However, the overall index will rise 0.6% sequentially in October this year - the first increase in three months.

In October 2022, the retail inflation was 6.77%. The National Statistical Office will release the October CPI inflation number on Monday. The Centre for Monitoring

Inflation in FY24 so far (in %)



Source: Mospi

Indian Economy (CMIE) expects food inflation, which forms about 39% of the CPI, to have eased to a four-month low of 6.05% in October from 6.56% in September.

"A fall is likely to be seen across

food groups...inflation in vegetables is expected to have fallen to around 2% in October, compared to 3.39% in the month prior. This is mainly due to a fall in inflation in tomatoes and potatoes," CMIE's Sameeksha Kumar said in a note.

According to the data from the Department of Consumer Affairs, retail prices of tomatoes crashed 24.5% month-on-month, but that of potatoes remained largely flat in October. Prices of onion, however, rose 11.6% sequentially.

Prices of rice and wheat were also up 1.0% and 0.6%, respectively, month-on-month, and that of pulses increased by 2.0%.

A sustained rise in prices of key food items continues to keep upside pressures on the headline CPI print, which is likely to average 5.4% in

FY24 (according to the Reserve Bank of India). RBI sees CPI inflation falling below 4% only during FY25.

But since the inflation rates of cereals, spices, and pulses - which collectively constitute 15% of the CPI basket - have remained in double digits since the past several months, it may cause food inflation to stay above 6% in H2 FY24 thereby posing a risk to the RBI's forecast. On the energy front, kerosene prices rose 6.2% month-on-month in October, which might have slightly contributed to uptick in fuel and light inflation for the month. The price of India's crude oil basket in October averaged \$90.08 a barrel - the second consecutive month above the \$90 mark. In September, it had averaged \$93.54 a barrel.