

# Retail inflation cools to 3-mth low of 5.1% in Jan

## Industrial production grows 3.8% in Dec 2023

SHIVA RAJORA

New Delhi, 12 February

Inflation in retail prices has been reported to be low in January compared to the same month last year while the index of industrial production (IIP) was up in December year-on-year (Y-o-Y).

Led by broad-based moderation and a favourable base effect, the retail inflation rate, based on the consumer price index (CPI), decelerated to a three-month low of 5.10 per cent Y-o-Y in the first month of calendar year 2024.

It was 5.69 per cent in December while in January last year it was 6.52 per cent.

The growth rate in the IIP slightly increased to 3.8 per cent in December from 2.4 per cent in November on the back of improvement in the performance of the manufacturing sector (3.9 per cent).

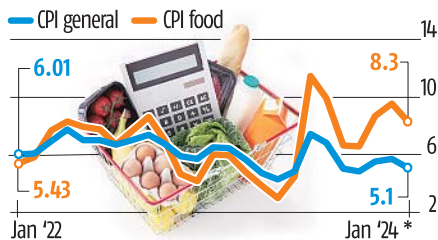
Meanwhile, growth in mining (5.1 per cent) and electricity (1.2 per cent) decelerated during the month.

In December 2022, the IIP had registered 5.1 per cent growth over December 2021.

According to the data released by the National Statistical Office (NSO) on Monday, the inflation rate fell due to moderation in the prices of cereals (7.83 per cent), milk (4.64 per cent), and fruit (8.65 per cent). Turn to Page 6 ▶

## RETAIL INFLATION: SLIGHT RELIEF

(Y-o-Y in %)



## IIP: MINOR UPTICK

Production growth (Y-o-Y in %)



\*Provisional

Source: NSO

▶ PRICE RISE IN MAJORITY OF STATES/UTs LOWER THAN 5.1%

certain limits as the government has embarked on a path of fiscal consolidation “Lower quantum of borrowing will basically mean two things. One, it would ensure that because of the lower quantum of borrowing, that more resources are left in the banking system to meet the requirements of the private sector. That would mean a growth-inducing measure,” he said.

The RBI governor further said lower borrowing will have a positive impact on bond yields. “The quantum of borrowing is very important for monetary policy and it will help to moderate the inflation level. As inflation has started moderating, now going forward when interest rate moderates, logically bond yields should soften and borrowing cost of government also should come down,” he added.

## Inflation...

However, despite moderation, the prices of vegetables (27.03 per cent), pulses (19.54 per cent), and spices (16.36 per cent) continued facing double-digit inflation during the month.

Meanwhile, the prices of protein-rich items like meat (1.19 per cent) and eggs (5.6 per cent) saw slight acceleration.

Rajani Sinha, chief economist at CARE Ratings, said the headline inflation rate, which had been going up in the previous two months, reversed course in January due to gradual sequential easing, particularly in the food basket.

“Ongoing deflation in the fuel and light categories continues to support inflationary prints. Core inflation remained subdued and moderated further, consistently

staying below the 4 per cent threshold for two consecutive months, mainly due to muted consumption demand and a moderation in global commodity prices. However, high inflation in specific food categories, including cereals, pulses, and spices, poses a risk of potentially broadening price pressures and de-anchoring inflationary expectations,” she added.

Stating similar views, Aditi Nayar, chief economist, ICRA Ratings, said while rabi sowing had caught up with last year’s level, reservoir storage remained below what it was a year ago in most regions, making the outlook for the rabi harvest cautious.

Last week, the Reserve Bank of India’s (RBI’s) Monetary Policy Committee (MPC) decided to keep the repo rate unchanged at 6.5 per cent for the sixth consecutive time and Governor Shaktikanta Das retained the inflation forecast for 2023-24 at 5.4 per cent. For the current quarter, the projection was lowered to 5 per cent from 5.2 per cent estimated earlier.

“For FY25, the inflation projection has been kept unchanged at 4.5 per cent. The inflation trajectory, going forward, would be shaped by the outlook on food inflation, about which there is considerable uncertainty. Adverse weather events remain the primary risk with implications for the rabi crop. Increasing geopolitical tensions are leading to supply chain disruptions and price volatility in key commodities, particularly crude oil,” the governor said in a statement.

In the IIP, only 11 of the 23 manufacturing industries saw a contraction in December. In the use-based segment as well, only primary goods (4.6 per cent) and intermediate goods

(3.4 per cent) reported a sequential moderation in December, while other categories like infrastructure goods (4.1 per cent), capital goods (3.2 per cent), consumer durables (4.8 per cent), and consumer non-durables (2.1 per cent) saw acceleration in the month, indicating a revival in both urban and rural demand. Madan Sabnavis, chief economist, Bank of

Baroda, said cumulative growth in the IIP for the first three quarters this financial year had been recorded at 6.1 per cent, which augurs well for performance of the manufacturing sector in terms of gross domestic product.

“Sustaining such growth is essential to ensure that the momentum is maintained and that will be seen in the next three months,” he added.

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