

Retail inflation hit 5-mth low in Jan as food prices eased

Industrial output growth slowed to 3.21% in December 2024

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Driven by easing food prices, India's consumer price index (CPI)-based retail inflation fell to a five-month low of 4.31 per cent in January from 5.22 per cent in December, thus raising hopes for another repo rate cut by the Monetary Policy Committee (MPC) during its April meeting.

Separately, industrial production growth slid to a four-month low in December.

The growth of index of industrial production (IIP) slowed by 3.21 per cent in December from 4.96 per cent in November, on account of deceleration in manufacturing growth. Data released by the statistics ministry on Wednesday showed that food inflation on a year-on-year (Y-o-Y) basis moderated to 6.02 per cent in January from 8.39 per cent in December.

Vegetable prices, that kept the food rates high, declined further to 11.35 per cent from 26.6 per cent during this period.

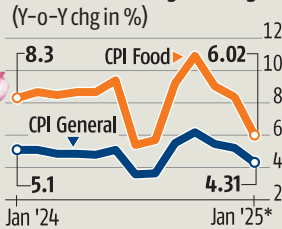
The prices of other major food items like cereals (6.24 per cent), egg (1.27 per cent), meat (5.25 per cent) and pulses (2.59 per cent) also decelerated.

Rajani Sinha, chief economist at CARE Ratings, said that robust kharif production and sound progress of rabi sowing have brightened the outlook of food inflation, along with healthy reservoir levels. These are expected to provide an essen-

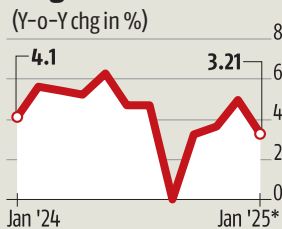


Note: Provisional figure Source: NSO

Inflation trajectory



IIP growth trend



tial cushion for kharif sowing in FY26, if the monsoon lags.

Meanwhile, the prices of milk (2.85 per cent), oils (15.64 per cent) and fruits (12.22 per cent) accelerated during the month.

Core inflation, which excludes the more volatile food and fuel sectors, remained largely unchanged at 3.7 per cent during the month. The prices for fuel (-1.38 per cent) remained in contraction, while the prices for items such as recreation (2.64 per cent), education (3.83 per cent) and health (3.97 per cent) decelerated.

Earlier this month, the RBI's MPC slashed the policy repo rate by 25 basis points (bps) to 6.25 per cent for the first time in nearly five years. Addressing his first post policy review press conference, RBI Governor Sanjay Malhotra said food inflation pressures and absence of any supply-side shocks should see a significant softening due to good kharif production, winter-easing in vegetable prices and

favourable rabi crop prospects.

Aditi Nayar, chief economist, ICRA Ratings, said growth-inflation outlook suggests that there is room for another 25 bps rate cut in either April or June meetings.

On the other hand, the slowdown in IIP growth in December was driven by deceleration in manufacturing (3 per cent). However, growth in the electricity (6.2 per cent) and mining (2.6 per cent) sectors accelerated.

The IIP data further showed that seven of the 23 manufacturing sectors like manufactured food products, leather and recorded media printing, among others, contracted during the month. In terms of use-based categories, growth accelerated in intermediate goods (5.9 per cent), primary goods (3.8 per cent) and capital goods (10.3 per cent). On the other hand, growth in infrastructure goods (6.3 per cent) and consumer durables (8.3 per cent) decelerated during the month.