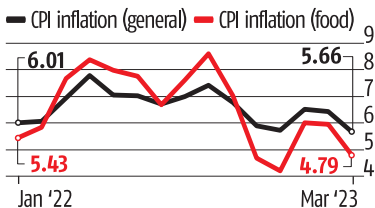


CPI inflation eases to 15-mth low in March

Industrial output rose to 3-month high in Feb

BACK IN RBI COMFORT ZONE

Retail inflation trend (In % YoY)



SHIVA RAJORA

New Delhi, 12 April

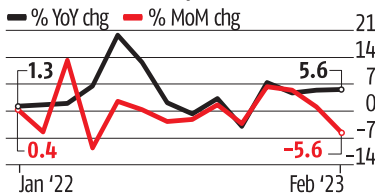
India's retail inflation fell to a 15-month low in March, thanks to a high base and easing price pressure across categories. Meanwhile, factory output rose to a three-month high in February.

Data released by the National Statistical Office showed the consumer price index (CPI)-based inflation was 5.66 per cent in March, down from 6.44 per cent in February. Due to continued moderation in food, fuel, housing and services prices, headline inflation came within the Reserve Bank of India's (RBI's) upper tolerance limit on inflation for the first time in 2023. The RBI has an inflation target of 4 per cent, with a margin of 2 per cent either way.

Meanwhile, factory output, measured through Index of Industrial Production (IIP), grew at a steady 5.6 per cent in February, from 5.5 per cent in January, mostly due to a favourable base effect and output growth in mining (4.6 per cent), manufacturing (5.3 per cent), and electricity (8.2 per cent) sectors.

STEADY FACTORY OUTPUT

Index of Industrial production



Note: Inflation numbers for March 2023 and IIP numbers for February 2023 are provisional; CPI: Consumer Price Index; YoY: Year on Year; MoM: Month on Month
Source: National Statistical Office

US MARCH INFLATION EASES TO LOWEST IN NEARLY 2 YEARS P8 ▶

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CPI inflation...

Food inflation fell to 4.79 per cent in March from 5.95 per cent in February, mainly driven by a deceleration in the prices of cereals (15.27 per cent), milk (9.31 per cent) and contraction in the prices of meat and fish (-1.42 per cent) and oils (-7.86 per cent).

Meanwhile, the prices of eggs (4.41 per cent), pulses (4.33

per cent), and fruits (7.55 per cent) accelerated in March. Though the prices of vegetables contracted 8.51 per cent in March, this was a slight acceleration compared with February (-11.61 per cent).

Besides, core inflation, which excludes volatile food and fuel items, also fell below 6 per cent in March, as the inflation rate for services like recreation, transportation, education, and personal care decelerated.

The RBI's Monetary Policy

Committee (MPC) last Thursday paused its rate-hike cycle and retained the repo rate at 6.5 per cent, after it had cumulatively hiked the lending rate by 250 basis points (bps) since last May, in order to rein in inflation, which had remained above the 6 per cent mark for most part of financial year 2022-23 (FY23).

Aditi Nayar, chief economist at ICRA, said barring housing, the sequential decline in CPI inflation in March was broad-based across the major sub-indices, thus reinforcing the RBI's decision to pause the rate hike. "Unless the feared heat wave leads to a rapid rise in prices of perishables, inflation may report a substantial base effect led drop to around 5-5.2 per cent in the next two prints. With reasonably healthy reservoir levels, and the El Niño expected to materialise only in the second half of the monsoon season, kharif sowing may not be impacted. However, any subsequent deficiency in monsoon rainfall could affect yields and food inflation, which along with any further hardening in crude oil prices remains a risk for the inflation trajectory," Nayar added.

In factory output, while consumer non-durables (12.1 per cent) and capital goods (10.5 per cent) registered double-digit growth, consumer durables (-4 per cent) and intermediate goods (-0.3 per cent) contracted. Twelve out of the 23 manufacturing sectors registered growth in February, while sectors like textiles (-9.8 per cent), tobacco (-2.5 per cent), apparel (-17 per cent), leather products (-6.7 per cent), wood products (-14.1 per cent), paper products (-5.2 per cent), and rubber (-0.4) contracted in February.

Abheek Barua, chief econ-

omist at HDFC Bank, said he expected the RBI to keep the repo rate unchanged for the rest of FY24. "Inflation is expected to average at 5 per cent in Q1 FY24 as the base effect lingers. The recent projection by the IMD of a normal monsoon provides some comfort that the inflation trajectory could fall in line with the RBI's forecast. However, we think it is still early days and the spatial and temporal distribution of monsoon will be critical along with any signs that El Niño conditions are impacting the monsoon progress," he added..

Nifty...

NSE Indices is the NSE subsidiary that manages Nifty indices.

According to industry sources, a brokerage floated a private note last month asking some of its clients to short RIL, as the stock could be removed from the Nifty. The RIL stock fell as much as 10 per cent from its highs in March. Following the note, a source said, analysts and exchange officials were inundated with queries pertaining to the treatment of RIL ahead of the demerger.

The change in methodology might be completed next month, said a source. An email on the issue sent to the NSE remained unanswered till the time of going to press.

Analysts tracking index changes say the rule on the removal of large stocks from an index due to a scheme of demerger or amalgamation leads to unnecessary churn and needs a rethink. "It is just a matter of time before Nifty Indices modifies the methodology for demergers just as it did for mergers in November 2022," says Abhilash Pagaria,

BS SUDOKU #3946

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SOLUTION TO #3945

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Very easy:



Solution tomorrow

HOW TO PLAY

Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9