

Retail inflation hit 75-mth low in May as veg prices dipped

CPI reading reported at 2.82%, lowest since February 2019

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India's retail inflation moderated further in May to 2.82 per cent from 3.16 per cent in April, aided by positive base effect, a double-digit dip in vegetables prices and the deepest decline in pulses prices in over six years, thus offering room for the central bank's Monetary Policy Committee (MPC) to maintain status quo in its upcoming reviews.

The last time the Consumer Price Index (CPI) had reported a lower level was in February 2019 — at 2.57 per cent.

Data released by National Statistics Office (NSO) on Thursday showed that while overall food inflation fell to a 43-month low of 0.99 per cent in May from 1.78 per cent in April, this was mainly driven by a 13.7 per cent year-on-year (Y-o-Y) drop in vegetables prices, and an 8.23 per cent decline for pulses. Spices and meat, which together have a 7.5 per cent weight in the CPI, also saw prices drop 2.82 per cent and 0.39 per cent, respectively.

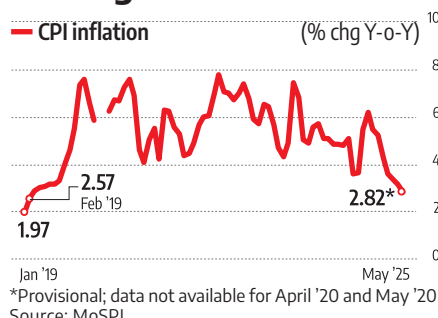
Besides, the price rise pace for other items in the food basket, including eggs (0.64 per cent) and sugar (4.09 per cent), decelerated during May. More alarming, according to economists, was a sharp 17.9 per cent spike in edible oil prices, marking the seventh successive month of double-digit inflation at a pace not seen since March 2022, when the Russia-Ukraine conflict had just begun. Though decelerated, yet fruit prices rose 12.7 per cent, the fifth double-digit print in as many months.

"The persistent rise in edible oil prices remains a concern, driven by a contraction in oilseed sowing, rising global prices, and India's dependence on imports in this segment. The government's recent move to reduce the basic customs duty (BCD) on imported crude edible oils is expected to offer some relief going forward," said Rajani Sinha, CareEdge Ratings' chief economist.

Aditi Nayar, chief economist, Icra Ratings, said that food prices might inch up as the progression of the monsoon has halted in early-June 2025, notwithstanding its early arrival. Going forward, the temporal and spatial distribution was crucial for ensuring favourable



Cooling down



increase in crop yields as excessive rainfall concentrated during short periods of time could destroy standing crops and, therefore, remained a key monitorable.

The core inflation, which excludes volatile food and fuel components, edged up to 4.2 per cent in May, the highest since October 2023, thus indicating signs of steady demand conditions in the economy.

Fuel prices though decelerated to 2.78 per cent, yet rose to a level not seen since August 2023. Inflation in services like personal care (13.5 per cent), health (4.34 per cent), and transport (3.85 per cent) picked up pace in May while in services like recreation (2.45 per cent), and household (2 per cent) decelerated.

Data further showed that retail prices rose 2.59 per cent in rural India, and 3.07 per cent in urban areas.

"Favourably, the decline in retail inflation

continues to be faster in rural areas than urban, which would further amplify the pickup in the rural demand that is showing signs of recovery with a sustained positive real rural wage growth," said Paras Jasrai, associate director, India Ratings.

Among 22 major states and Union Territories (UTs) having a population of more than 5 million, for which data is available, 10 states/UTs recorded an inflation rate which was higher than the national average.

Kerala recorded the highest retail inflation of 6.46 per cent in May, followed by Punjab (5.21 per cent) while it was the lowest in Telangana at 0.55 per cent, followed by Bihar (1.52 per cent) and Andhra Pradesh (1.69 per cent).

On June 6, aiming at a faster transmission of policy rate to lending and deposit rates, the Reserve Bank of India (RBI) frontloaded repo rate cut of 50 basis points (bps) and reversed its stance to "Neutral". It also revised downwards its retail inflation projection for the current financial year to 3.7 per cent. One basis point (bp) equals 0.01 per cent.

"Overall, the change in the policy stance appears to be a fairly strong signal of a pause, especially when combined with the unexpected cut in cash reserve ratio (CRR). We expect rates to be unchanged in the August policy review," added Nayar.

Madan Sabnavis, chief economist, Bank of Baroda, said that as inflation was within the RBI's range, this inflation number would have no impact in the monetary policy discourse in future.