

Retail inflation at 5-mth high of 7.4% in Sep

IIP shrinks 0.8% in Aug – a first in 17 months

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In a double whammy for the Indian economy, the retail inflation rate shot up to a five-month high in September, while factory output contracted after a gap of 17 months in August. This could force the Reserve Bank of India (RBI) to hike the repo rate yet again in December.

Data released by the National Statistical Office showed that consumer price index (CPI)-based inflation accelerated to 7.41 per cent in September from 7 per cent in the previous month,

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driven by a 22-month high food inflation rate of 8.6 per cent.

Meanwhile, the index of industrial production (IIP)

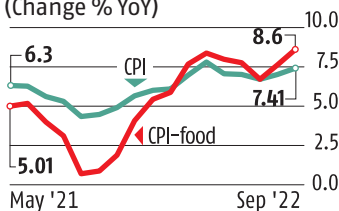
shrank 0.8 per cent in August, after growing 2.2 per cent in July, led by contraction in mining (3.9 per cent) and manufacturing (0.7 per cent). However, electricity output grew 1.4 per cent. With the retail inflation print remaining above 6 per cent for the ninth consecutive month, the RBI has officially missed its inflation target for the third successive quarter.

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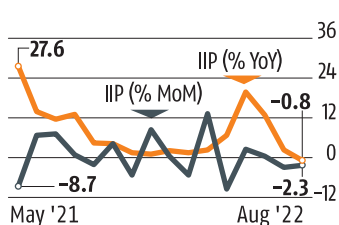


FOOD PRICE SPIKE

(Change % YoY)



FLAGGING OUTPUT



Source: NSO

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Retail inflation...

This means it will have to write a letter to the government explaining the reasons for its failure and the steps it will take to correct this.

According to the RBI Act, the monetary policy committee (MPC) of RBI has an inflation target of 4 per cent, with a variation of 2 percentage points on either side. It is seen as a failure if the average inflation stays beyond the 2-6 per cent range for three consecutive quarters.

RBI Governor Shaktikanta Das had said last month that he expects inflation to come down to 4 per cent over the next two years.

Suvodeep Rakshit, senior economist at Kotak Institutional Equities, said in light of the September inflation print the RBI could raise the policy rate by 35 basis points in the December MPC meeting. He expects inflation to remain above 6 per cent at least till February 2023 and reduce gradually to around 4.5-5.5 per cent in FY24. "External sector

concerns as well as uncertainty on energy prices will keep the RBI's policy contingent on incremental data and events," he added.

During September, prices of cereals (up 11.53 per cent), vegetables (18.05 per cent), spices (16.88 per cent), footwear (12.3 per cent) and fuel (10.39 per cent) rose in double digits, while the rates for meat and fish (up 2.55 per cent), oils and fats (0.37 per cent), pulses (3.05 per cent), sugar (1.59 per cent), and eggs (down 1.79 per cent) remained subdued.

Aditi Nayar, chief economist at ICRA, said the excessive rainfall in early October may adversely impact the kharif harvest and delay rabi sowing, thereby posing a material risk to the food inflation outlook. "However, the impact on the year-on-year food inflation prints is likely to be partly mollified by the high base that lies ahead for the second half of FY23," she added.

9 sectors see contraction

In August, nine of the 23 sectors in the IIP saw contraction in output, including tobacco products, textiles, apparel, leather, furniture, pharmaceuticals, rubber and plastics, fabricated metal products, and electrical

equipment. According to use-based classification, contraction in IIP was led by both consumer durables (2.5 per cent) and consumer non-durables (9.9 per cent), signalling that inflation may be eating into consumer demand. Madan Sabnavis, chief economist, Bank of Baroda, said the IIP numbers are critical. "Unless we are able to clock growth of 5 per cent in these two months, there will be an adverse impact on the prospects of GDP growth," he added.

Byju's...

Byju's booked a loss of ₹4,588 crore for the financial year ended March 31, 2021, 19 times more than the preceding year, according to its latest financial report.

"As a mature organisation that takes its responsibility towards investors and stakeholders seriously, we aim to ensure sustainable growth, alongside strong revenue growth," said Mrinal Mohit, CEO, Byju's India business. "These measures will help us achieve profitability in the defined time frame of March 2023."

Over the past three years,

