

# Retail inflation hits 5-month high of 7.41% in September

BANIKINKAR PATTANAYAK  
New Delhi, October 12

**RETAIL INFLATION HIT** a five-month high of 7.41% in September, as price pressure in the food segment spiked to a 22-month high and core inflation inched up further.

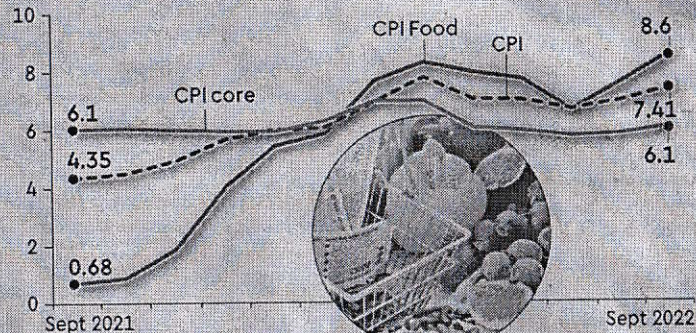
With this, inflation based on the consumer price index (CPI) beat the upper band of the Reserve Bank of India's (RBI's) medium-term target of 2-6% for a ninth straight month. This means the RBI will now have to explain to the government, formally in writing, as to why it failed to keep inflation within the prescribed level. Retail inflation has also remained above 7% for a second quarter in a row.

Thanks to the latest rise in inflation, the central bank will be constrained to raise the repo rate in December as well. But the quantum of the hike will hinge on the inflation print in October. Any further rise in inflation in October will mean another rate hike of 50 basis points, analysts said.

Official data released on Wednesday showed that food inflation rose to 8.6% in September from 7.62% in August and 6.69% in July. Core inflation rose to a four-month high of 6.07% in September, against 5.85% in the previous month, primarily due to elevated price pressure in the clothing, footwear and housing segments, according to

## SPIKE IN PRICES

(% change, y-o-y)



Source: MoSPI/India Ratings

## RBI to submit report on inflation

**AS INFLATION BREACHED** its medium-term target of 2-6% for a ninth straight month through September, the Reserve Bank of India (RBI) will have to submit a report to the government for the first time, explaining the reasons for its failure to

rein in price pressure within the targeted band. According to the inflation-targeting framework, which came into effect in 2016, the central bank has to submit the report if inflation breaches its target for three straight quarters. **-FE BUREAU**

India Ratings.

Icra chief economist Aditi Nayar said: "The excessive rainfall in early October may adversely impact the kharif harvest and delay rabi sowing, thereby posing a material upside risk to the food inflation outlook. However, the impact of the same on the year-on-year food inflation

prints is likely to be partly mollified by the high base that lies ahead for H2FY23."

DK Joshi, chief economist at Crisil, said: "There is pressure on both, the supply (from food inflation- cereals and vegetables) and the demand side (recovery in demand, particularly in services)."