

# Sept retail inflation at 3-mnth low of 5.02%

## Industrial output growth rises to 14-mnth high of 10.3% in Aug

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New Delhi, 12 October

India's retail inflation rate fell below the Reserve Bank of India's (RBI's) upper tolerance level of 6 per cent for the first time in three months in September, while industrial production growth accelerated to a 14-month high in August, providing some relief to the government on the macroeconomic front ahead of the festival season.

The data released by the National Statistical Office (NSO) on Thursday showed that the Consumer Price Index (CPI)-based inflation eased to 5.02 per cent year-on-year in September from 6.8 per cent in August on account of a moderation in prices of vegetables, cereals, clothing and footwear, housing, and services.

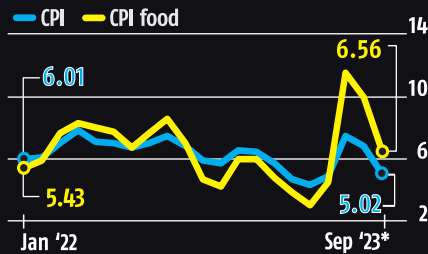
Separately, the country's industrial output, as measured by the Index of Industrial Production (IIP), grew by 10.3 per cent Y-o-Y in August compared to 6.02 per cent in July, driven by a low-base effect and robust growth in the power (15.3 per cent), mining (12.3 per cent), and manufacturing (9.3 per cent) sectors.

Last week, the Monetary Policy Committee (MPC) of the RBI had unanimously kept the repo rate unchanged at 6.5 per cent for a fourth consecutive policy review and maintained the "withdrawal of accommodation" stance. The central bank had also retained its forecast for retail inflation at 5.4 per cent for FY24. However, it revised upwards its inflation forecast for Q2FY24 to 6.4 per cent from 6.2 per cent, and downwards for Q3FY24 to 5.6 per cent from 5.7 per cent.

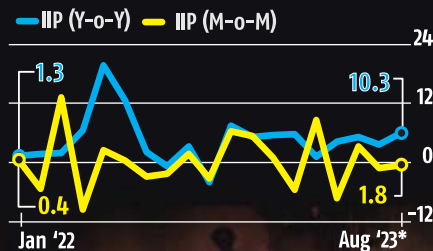
Food inflation also declined to a three-month low of 6.56 per cent in September from 9.94 per cent in August, as vegetable prices — the primary reason for the massive spike in food inflation — decelerated sharply to 3.4 per cent.

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### GETTING BACK ON TRACK



### IIP GROWTH JUMPS



\*Provisional; Source: NSO



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## Sept retail inflation..

While inflation for milk (6.9 per cent), cereals (10.95 per cent), spices (23.06 per cent), and prepared meals (4.96 per cent) eased last month, prices of fruits (7.3 per cent), sugar (4.52 per cent), and protein-rich items like egg (6.42 per cent) and meat (4.11 per cent) saw acceleration during the month.

Core inflation, which excludes food and fuel components, came in below 5 per cent in September, as prices of clothing and footwear (4.61 per cent), housing (3.95 per cent), and services like recreation (3.40 per cent), education (5.26 per cent), health (5.91 per cent) and transport (2.28 per cent) saw a decline. Meanwhile, fuel prices (-0.11 per cent) underwent contraction in September.

Aditi Nayar, chief economist at ICRA, said that while the sequential moderation in inflation was broad-based, food inflation remained elevated due to the uneven monsoon, lag in sowing of crucial kharif crops such as pulses and oilseeds, and modest reservoir levels.

“Perceived inflation during the festival period may have a larger impact on sentiment this year, as compared to 2022, when festivities were prioritised after two years of Covid. Our projections suggest that the headline CPI inflation will remain volatile in a wide range until June 2024, with the outlook for food inflation remaining murky and continuing volatility in crude oil prices. Given the MPC’s CPI

inflation projections for Q1FY25 and the derived forward-looking real policy rate, we maintain our expectations of an extended pause,” she added.

Echoing a similar view, Madan Sabnavis, chief economist at Bank of Baroda, said the RBI would be monitoring the El Nino effect in Asia, kharif crop numbers, and the Israeli crisis, among other factors, in the upcoming policy meetings. “The repo rate will be kept unchanged till June 2024, when it can be seriously considered for discussion, as RBI forecasts of inflation are above 5 per cent for the next three quarters,” Sabnavis said.

In the IIP, seven of the 23 manufacturing industries such as apparel, wood, paper, chemicals, and computers witnessed contraction in August.

## FM to World Bank...

On the sidelines, the FM also said Brazil taking over the G20 presidency in 2024 and India joining South Africa as the G20 troika was an excellent opportunity to provide positive momentum and elevation to the issues of the Global South like the G20 Finance Track had done under the Indian Presidency.

Sitharaman presented a list of suggestions for the evolution of the World Bank, including the active involvement of knowledge institutions of the Global South in the bank’s product and verticals. The FM pointed to the bank’s tendency to work mainly with knowledge and research institutions of the Global North.