

# Retail inflation at 3-month high

## Hits 6.52% in January, breaching RBI's upper threshold of 6%

**SHIVA RAJORA**

New Delhi, 13 February

India's retail inflation reversed its downward trend in January and once again breached the central bank's upper tolerance limit of 6 per cent after a gap of two months, forcing some analysts to project another rate hike by the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) in April.

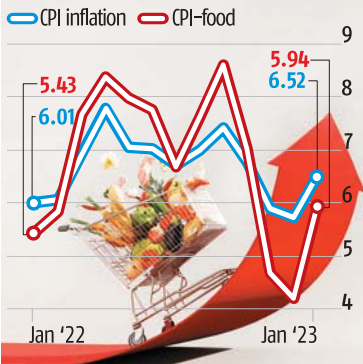
Data released by the National Statistical Office on Monday showed the Consumer Price Index-based inflation rate rising unexpectedly to a three-month high at 6.52 per cent in January, from 5.72 per cent in December, as goods across categories, including food and beverage, housing, and services, saw price rise, with food prices leading the chart.

Core inflation, which excludes food and fuel prices, remained sticky above the 6 per cent mark.

The upside inflation surprise

## WORRYING SIGNS

Retail inflation trend (in % YoY)



Note: CPI: Consumer Price Index; Jan 2023 figures are provisional Source: National Statistical Office

came days after the RBI revised down its January-March quarter retail inflation forecast by 20 basis points (bps) to 5.7 per cent.

Turn to Page 6 ▶

INDIA'S INFLATION HIGHER THAN PEERS LIKE BRAZIL, SOUTH KOREA

P6

FROM PAGE 1

## Inflation...

The MPC hiked the repo rate by another 25 bps, while cautioning that further calibrated monetary policy action is warranted to keep inflation expectations anchored, break the persistence of core inflation, and thereby strengthen the medium-term growth prospects. Abheek Barua, chief economist at HDFC Bank, said it is clear that the inflation fight is not over yet and the moderation seen at the end of 2022 was neither broad-based nor durable.

“If indeed the RBI’s yardstick of durable disinflation is the movement in core inflation, the terminal policy rate could be higher than what the market currently expects. This print reaffirms our view that the RBI is likely to raise rates again in its April policy, with no change in stance likely,” he added. Madan Sabnavis, chief economist at Bank of Baroda, expects inflation to remain elevated in the next two

months, although there will be moderation in the headline number. “The RBI’s decision and stance remain vindicated by this number and it would be fair to surmise that if inflation remains above the 6 per cent mark in the next couple of months, there could be further rate hike, although it is a low probability as things stand,” he added. Food inflation rose to a three-month high of 5.94 per cent in January, from 4.19 per cent in December, due to acceleration in the inflation rate of cereals, protein-rich items like eggs and meat, milk, vegetables, fruit, pulses, spices, and edible oil. Sunil Kumar Sinha, principal economist at India Ratings & Research, said notwithstanding the open market sale of 3 million tonnes of wheat by the government, the market prices haven’t tapered off.

Aditi Nayar, chief economist at ICRA Ratings, said that the broad-based sequential fall in prices of several food items in early February this year, as well as a high base, should dampen the food inflation print below 6 per cent.