

April respite: Retail inflation slides to 3.16%

Sharp drop in prices of vegetables and pulses cools food inflation to 42-month low

SHIVA RAJORA

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India's retail inflation moderated further in April to 3.16 per cent from 3.34 per cent in March, aided by a double-digit dip in vegetable prices and the deepest decline in pulses prices in over six years, offering more room for the central bank's Monetary Policy Committee (MPC) to prioritise growth over inflation in its upcoming review beginning June 4.

The last time the Consumer Price Index (CPI) had reported this mild uptick was in July 2019 — at 3.15 per cent. Data released by the National Statistics Office (NSO) on Tuesday showed retail prices rose 2.92 per cent in rural India, and 3.36 per cent in urban areas, but food inflation was milder in cities at 1.64 per cent, while it was 1.85 per cent in the hinterland.

While overall food inflation fell to a 42-month low of 1.78 per cent in April from 2.69 per cent in March, this was mainly driven by a 11 per cent year-on-year drop in vegetables prices, and a 5.23 per cent fall for pulses. Spices and meat, which together have a 7.5 per cent weightage in the CPI, saw prices drop 3.4 per cent 0.35 per cent, respectively.

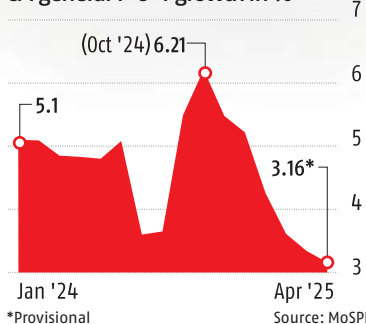
However, the price rise pace for other items in the food basket, including eggs (0.83 per cent), milk (2.72 per cent), and sugar (4.59 per cent) accelerated during April. More alarming, according to economists, was a sharp 17.4 per cent spike in edible oil prices, marking the sixth successive month of double-digit inflation at a pace not seen since March 2022, when the Russia-Ukraine conflict has just begun. Fruit prices also rose 13.8 per cent, the fourth double-digit print in as many months.

"The prices of edible oils remain a key concern, especially given the contraction in the sowing of oil seeds, an



COOLING DOWN

Cpi general Y-o-Y growth in %



RISK FACTORS

- Excluding pulses and vegetables, retail inflation hit an 18-month high of 4.4%
- Edible oils rise 17.4%, steepest surge in 37 months; fruits inflation in double digits for fourth straight month
- Core and fuel inflation highest since November 2023 and August 2023, respectively

increase in global edible oil prices, and import dependency," said Rajani Sinha, CareEdge Ratings' chief economist.

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At 4.1%, core inflation highest since Nov 2023

Fuel inflation rose for the second consecutive month to 2.92 per cent, the highest since August 2023. Inflation in services like transport (3.73 per cent), recreation (2.51 per cent) and education (4.13 per cent), also picked up pace in April. Core inflation, which excludes volatile food and fuel components, also inched up slightly during the month to around 4.1 per cent, reckoned to be the highest since November 2023.

“Interestingly, retail inflation excluding vegetables and pulses shot up to an 18-month high of 4.4 per cent in April 2025,” noted Paras Jasrai, associate director at India Ratings and Research.

Goa recorded the highest retail inflation of 6.95 per cent in April, followed by Kerala (5.94 per cent), while it was the lowest in Telangana at 1.26 per cent, according to a Business Standard analysis of State-wise inflation rates. Among the union territories, Delhi (1.77 per cent) recorded the lowest inflation, while Lakshadweep (6.8 per cent) recorded the highest. As many as 18 states and UTs recorded retail inflation rate over the national average of 3.16 per cent.

While food prices may inch up this month in the wake of rising heat, economists expect overall inflation to still be benign in coming months, giving the RBI space for further interest rate cuts after effecting a 50 basis points reduction in the repo rate over its last two monetary policy meetings. One basis point (bp) equals 0.01 per cent.

However, Madan Sabnavis, chief economist, Bank of Baroda says that the central bank will be cognizant of the fact that the retail inflation has come down mainly due to vegetables which have a weight of 6 per cent in the index.

“Excluding this component keeps inflation at the

central bank’s target rate [4 per cent plus or minus two percentage points]. It does look like that this number may not trigger a rate cut given that there would be time to evaluate both the monsoon and tariff issues before taking a final call in August. Inflation would likely be low in May and June too due to the base effect,” he added.

Moreover, growth considerations may influence the pace of interest rate cuts. While Aditi Nayar, chief economist at rating firm ICRA expects a 25 bps rate cut in the June 2025 monetary policy, followed by similar cuts in the August and October 2025 policy reviews, this may change depending on the upcoming GDP growth estimates due to be released on May 30. “If the GDP growth print for Q4 FY2025 does not report an acceleration from the 6.2 per cent seen for Q3 FY2025, the MPC may consider frontloading the rate easing, with a 50 bps cut in the upcoming review.”

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