

CPI inflation dips to 18-month low of 4.7% in April

IIP growth hits 5-month low of 1.1% in March

SHIVA RAJORA
New Delhi, 12 May

India's retail inflation rate in April fell to an 18-month low on the back of a high base and easing price pressures across categories, giving the central bank elbow room to maintain an extended pause on policy rates. Factory output growth, on the other hand, decelerated sharply to a five-month low in March, reflecting concerns about weak consumer demand.

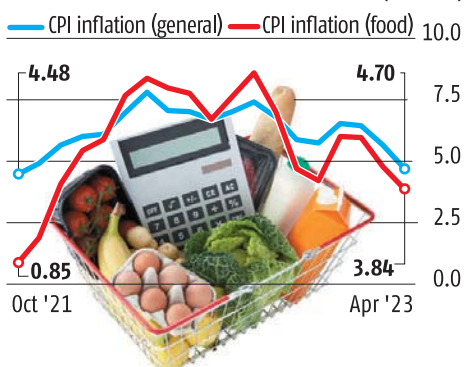
Data released by the National Statistical Office (NSO) on Friday showed that the Consumer Price Index (CPI)-based inflation stood at 4.70 per cent in April, as against 5.66 per cent the previous month. Due to moderation in the food, fuel, clothing and services prices, the headline inflation rate stayed within the Reserve Bank of India's (RBI's) upper tolerance limit for the second consecutive month in 2023. The RBI has an inflation target of 4 per cent, with a margin of 2 percentage points on either side.

Meanwhile, growth in factory output, measured by the Index of Industrial Production (IIP), slowed to 1.1 per cent in March, from 5.8 per cent in February -- largely due to a decline in output growth in manufacturing (0.5 per cent), and a contraction in electricity output (-1.6 per cent). For the full financial year (FY23), IIP growth stood at 5.1 per cent compared to 11.4 per cent in FY22.

Food inflation fell to a 17-month low of 3.84 per cent in April from 4.79 per cent in March.

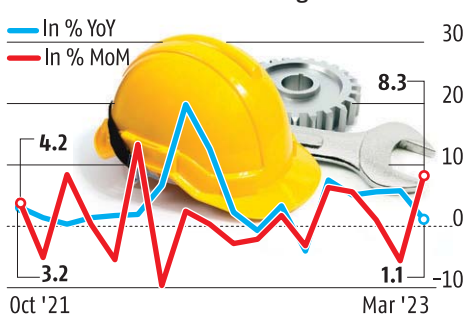
RESPITE FOR RBI, CONSUMERS

Retail inflation trend (In % YoY)



FACTORY OUTPUT SLOWS

Index of Industrial Production growth



Note: Inflation numbers for April 2023 and IIP numbers for March 2023 are provisional. CPI: Consumer Price Index; YoY: Year-on-Year; MoM: Month-on-Month
Source: National Statistical Office

“lessors and international aircraft owners see India as a risky jurisdiction for aircraft leasing”.

David Schulte, Boeing’s managing director of marketing for India, South East Asia, and Asia Pacific, said high fuel costs, lowest airfare costs in the world, and high volumes of transactions in dollars were three biggest challenges in the Indian aviation market. Can the engine issues hamper air travel’s resurgence in India? Weir said: “I think any impact will be temporary. We have a lot of confidence in our engine partner for the 737 Max.”

CPI inflation...

The fall in food inflation is mainly driven by a deceleration in the prices of cereals (13.67 per cent), egg (3.1 per cent), milk (8.85 per cent) and fruits (2.09 per cent), and a continued contraction in the prices of oils (-12.33 per cent).

While the prices of pulses and sugar rose 5.28 per cent and 1.93 per cent, respectively, in April, the prices of vegetables and meat & fish contracted 6.5 per cent and 1.23 per cent.

Besides, core inflation, which excludes volatile food and fuel items, also remained below 6 per cent for the second consecutive month in April, as barring education and personal care, the inflation rate for other services like recreation, transportation, household and health services decelerated.

Aditi Nayar, chief economist at ICRA, said the above-average rainfall and lower-than-normal temperatures in April delayed the seasonal rise in prices of perishable items, especially vegetables. “Food inflation is likely to remain subdued in May 2023. With El Nino expected to materialise only in the second half of the monsoon season as per the meteorological department, kharif sowing may not be impacted. However, any subsequent deficiency in monsoon rainfall could affect kharif yields and winter sowing, and thereby food inflation, which poses a risk to the CPI inflation trajectory,” Nayar added.

In factory output, growth in output of primary goods (3.3 per cent), infrastructure goods (5.4 per cent) and intermediate goods (1 per cent) decelerated in March, while growth in cap-

ital goods, which represents investment demand in the economy, accelerated (8.1 per cent). Consumer durables (-8.4 per cent) contracted for the fourth month, and output of consumer non-durables (-3.1 per cent) shrank for the first time in five months in March, signalling continued weakness in consumer demand.

Only 10 of the 23 manufacturing sectors registered growth in March, while other sectors like textiles (-7.4 per cent), tobacco (-10.2 per cent), apparel (-30.7 per cent), leather products (-7 per cent), wood products (-9.6 per cent) and paper products (-3.5 per cent) contracted in the month.

Madan Sabnavis, chief economist, Bank of Baroda, said that although machinery and auto sectors did well, it’s the consumer goods, especially fast-moving consumer goods that continued to disappoint. “With inflation remaining well below the tolerance band, experts foresee the RBI to maintain an extended pause.

Suvodeep Rakshit, senior economist, Kotak Institutional Equities, said the RBI is expected to see this print favourably and remain on a pause in the coming policy meeting in June, as it will be factoring in the global growth prospects, central bank actions, and domestic growth prospects. Rajani Sinha, chief economist, CARE ratings, said the RBI is expected to maintain an extended pause in 2023, subject to weather-related disruptions that could be the main threat to food inflation and the overall CPI inflation in FY24.

Das...

The Indian economy is estimated to have grown by 7 per cent in FY23. While the International Monetary Fund has given a lower growth estimate, the RBI has shared data with the IMF. At this rate, 15 per cent of world growth would come from India, Das added. Government capital spending has been high in the last few years and private capex is rising as seen in sectors like steel and cement, he said. Referring to movements in the currency, the RBI governor said despite the Ukraine war, the rupee had been stable. Volatility has been contained, he added.

