

# Retail inflation rises to 5.49%, highest in CY24

Higher food prices, fading base effect behind surge; WPI inflation rises, too

SHIVA RAJORA

New Delhi, 14 October

The retail inflation rate in the country, driven by a spike in food prices and a fading base effect, climbed to a nine-month high in September. At the same time, the wholesale inflation rate, which reflects factory gate prices, also picked up pace.

The National Statistical Office (NSO) reported Monday that the consumer price index (CPI) rose to 5.49 per cent in September from 3.65 per cent in August. In December 2023, it was 5.69 per cent.

Meanwhile, wholesale price index (WPI)-based inflation, reported by the Ministry of Commerce and Industry, increased to 1.84 per cent in September from 1.31 per cent in August, fuelled by food price inflation jumping to 11.53 per cent from 3.11 per cent the preceding month.

Retail food inflation surged to 9.2 per cent in September from 5.66 per cent in August, driven by sharp price increases in fruit (7.65 per cent) and vegetables (35.99 per cent). However, price increases for cereals (6.84 per cent) and protein-rich items, such as eggs (6.31 per cent) and meat & fish (2.66 per cent), showed a modest deceleration.

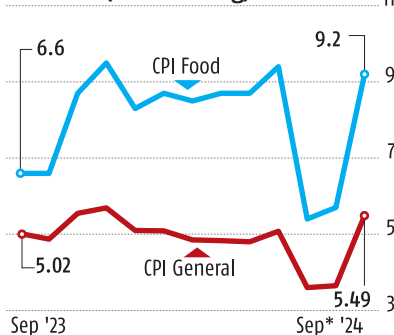
Despite these increases, retail inflation remains within the RBI's target range of 2 per cent to 6 per cent. Last week, the RBI's monetary policy committee (MPC) shifted its stance to neutral from a "withdrawal of accommodation" while holding the policy repo rate steady at 6.5 per cent for the 10th consecutive meeting. It also maintained its FY25 retail inflation forecast at 4.5 per cent. In his customary address, RBI Governor Shaktikanta Das had projected a "big jump" in retail inflation in September due to a combination of unfavourable base effects and increased food price pressures caused by the lingering effects of a shortfall in production of onions,

## INFLATION TRACKER

Retail inflation remains within RBI's target range of 2% to 6%

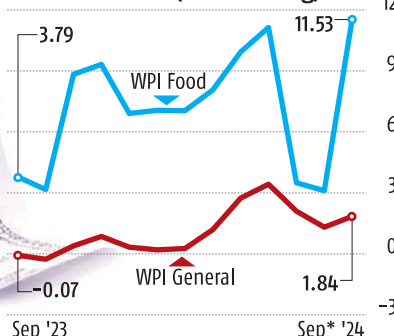


### Retail (Y-o-Y % chg)



Note: Sep figures are provisional

### Wholesale (Y-o-Y % chg)



Note: Aug and Sep figures are provisional

Sources: NSO, Ministry of Commerce and Industry

potatoes, and chana dal (gram) in FY24.

"The headline inflation trajectory, however, is projected to sequentially moderate in Q4 of this (financial) year due to good kharif harvest, ample buffer stocks of cereals, and a likely good crop in the ensuing rabi season. Unexpected weather events and worsening of geopolitical conflicts constitute major upside risks to inflation," Das had said.

Core retail inflation, excluding food and fuel, edged slightly higher to around 3.5 per cent in September. Prices rise for items like clothing and footwear (2.71 per cent) and services such as education (3.79 per cent), health (4.09 per cent), and personal care (9 per cent) accelerated, while fuel prices remained in deflation – down 1.4 per cent.

ICRA Ratings Chief Economist Aditi Nayar remarked that the significant rebound in September's CPI-based infla-

tion diminishes the likelihood of a rate cut following the October policy change. "For a rate cut in the December policy review, either the CPI-based inflation will need to flatten considerably below 5 per cent in the next print or GDP growth for Q2FY25 will need to significantly undershoot the MPC's expectations," she said.

On the wholesale front, inflation for manufactured products, which carry a 64.2 per cent weighting in the index, slowed to 1 per cent from 1.22 per cent in August. This was led by easing price increases in textiles, wood products, chemicals, pharmaceuticals, and rubber goods. Additionally, factory gate prices for fuel and power fell by 4.05 per cent, as diesel prices slid by 5.33 per cent and petrol by 7.47 per cent. Cooking gas prices decelerated slightly to 13.18 per cent.