

Retail inflation may moderate in coming months

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India's headline retail inflation is expected to moderate further in the months to come, as low wholesale inflation will transmit to consumer prices, the Ministry of Finance said in its latest monthly economic review (MER) on Monday.

"Inflationary pressures eased in February, with slight moderation in Consumer Price Index (CPI) inflation and Wholesale Price Index (WPI) inflation softening to a 25-month low. With WPI inflation easing, its transmission to CPI inflation is soon expected," the MER for February said.

WPI inflation for February eased to 3.85 per cent in February, the lowest in more than two years. CPI inflation meanwhile, came in at 6.44 per cent, lower than in January, but still above the Reserve Bank of India's monetary policy committee's medium-term target. "Forecasts by various international agencies show that inflation will moderate in 2023-24, compared with 2022-23, and is likely to remain in the range of 5-6 per cent, with risks evenly balanced," the MER stated.

The report also said that tightening of financial conditions by central banks to tame inflation has raised concerns regarding the exacerbation of corporate debt vulnerabilities, with corporates being already highly leveraged.

"However, in the case of India, the concern seems limited. India's private non-financial sector debt has witnessed a steady decline since mid-2021,



Low wholesale inflation rate will transmit to consumer prices, the finance ministry said

along with an improvement in the quality of debt," it said.

The report said that corporate sector credit-gross domestic product ratio is below its historical trend, implying sufficient space for the corporate sector to borrow further. The strong debt profile portrayed by corporates will prove to be critical in maintaining the macroeconomic stability of the economy, it said.

The report also said the economy is expected to grow at 7 per cent in FY23 despite global headwinds while retail inflation would moderate in line with wholesale inflation which fell to a 25-month low in January. Supported by the gains from high services exports, the moderation in oil prices, and the recent fall in import-intensive consumption demand, India's current account deficit is estimated to fall in FY23 and FY24, providing a buffer to the rupee in uncertain times, it stated.