

## Macro Insights

14<sup>th</sup> February, 2023

### CPI takes a U-turn, rises 3-month high

Retail inflation measured by CPI rose to a 3-month high at 6.52% in January 2023, compared to 5.72% in the previous month.

### Highlights:

- India's retail inflation took a U-turn in January 2023, and was at a 3-month high of 6.52 per cent, mainly due to spike in food prices and lower base.
- The CPI has breached the Reserve Bank of India's upper tolerance limit of 6 per cent.
- The core inflation was at 6.09 per cent in January, remaining almost flat when compared to last month.
- Both urban and rural inflation rose in January 2023. Urban inflation elevated to 6.00 per cent from 5.39 per cent in the previous month and rural inflation climbed to 6.85 per cent from 6.05 per cent in the earlier month.

Chart: Consumer Price Index - Jan'23

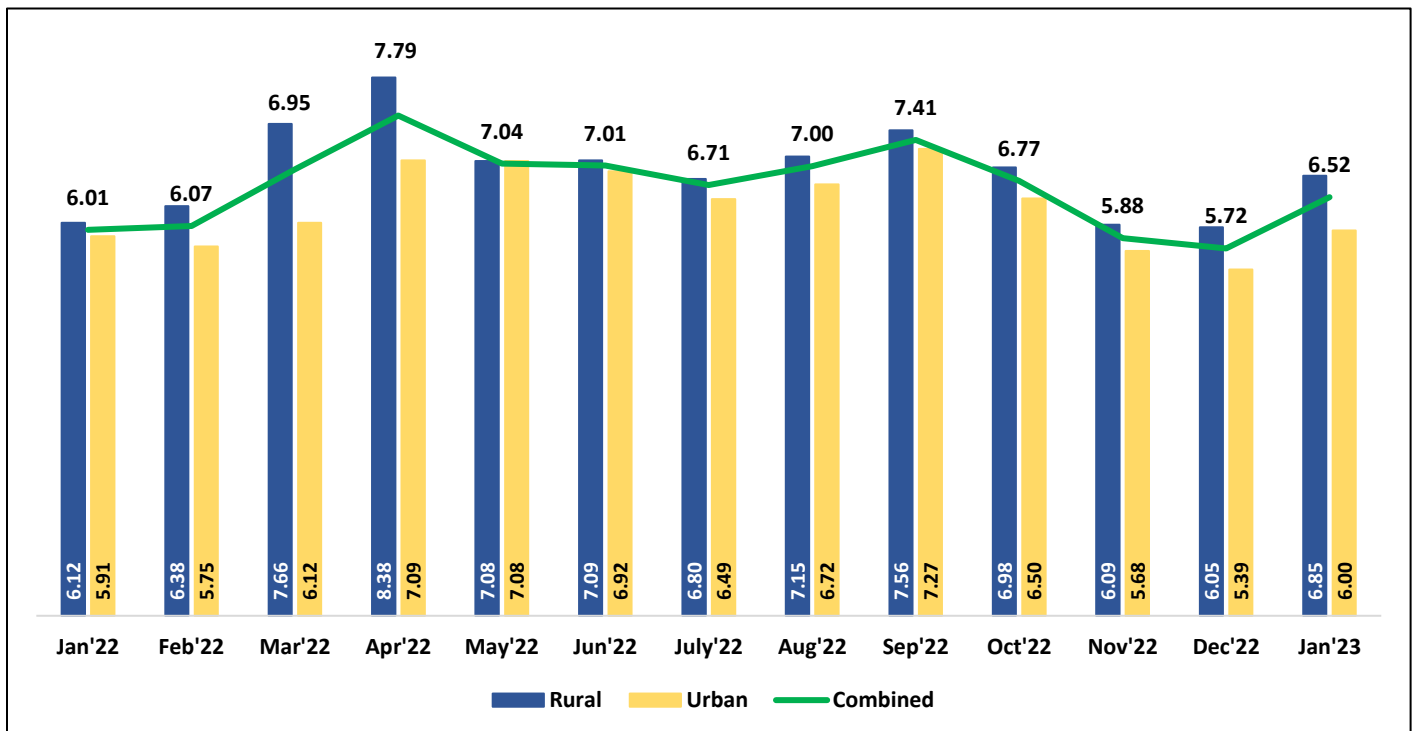


Table: Components of CPI

	Food and beverages		Pan, tobacco and intoxicants		Clothing and footwear		Housing		Fuel & Light		Miscellaneous		General	
Weight	45.86%		2.38%		6.53%		10.07%		6.84%		28.32%		100%	
	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year
Nov	2.60	5.07	4.05	2.02	7.94	9.83	3.66	4.57	13.35	10.62	6.75	6.07	4.91	5.88
Dec	4.47	4.58	3.16	2.55	8.30	9.58	3.61	4.47	10.95	10.91	6.65	6.17	5.66	5.72
Jan	5.58	6.19	2.45	3.07	8.78	9.08	3.52	4.62	9.32	10.84	6.55	6.21	6.01	6.52

## Views:

- CPI breached RBI's tolerance level after remaining within the limit for two consecutive months. Even though the lower base came into effect, the increase in CPI was more than expected.
- Food and beverages, which accounts for 45.86 per cent of CPI basket, rose to 6.19 per cent in January 2023 from 4.58 per cent in the previous month.
- Inflation in Housing, another major component of CPI, climbed to 4.62 per cent in January 2023 from 4.47 in December 2022.
- Two components, Clothing & Footwear and Fuel & Light, showed a declining figure, when compared with the previous month.
- Even though core inflation is likely to remain sticky, it is expected that CPI will ease slightly due to fall in food prices in the current month and relatively higher base.
- The recent rate hike by RBI is thus justified by the unexpected rise in the Retail inflation and we may further witness another hike in April 2023.

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