

## At 6.01%, Jan retail inflation at 7-month high on pricier food, fuel

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Retail inflation based on Consumer Price Index (CPI) crossed the 6 per cent mark again in January as against 5.6 per cent in December, hitting a seven-month high. On the other hand, producers' inflation, based on the Wholesale Price Index (WPI) dropped to 12.96 per cent in January as against 13.5 per cent in December.

While the wholesale inflation continues to remain in double digits for the 10 th successive month, there is some relief as the growth in retail inflation rate in January is lower compared to December. Despite the headline number rising to over 6 per cent, the higher end of the targeted inflation band, the Monetary Policy Committee is expected to continue with rate pause when it will meet in April, opined experts.

### Retail inflation

According to data released by the National Statistical Office (NSO), one of the basic reasons for higher rate was food and beverage inflation which jumped to 5.58 per cent in January from 4.47 per cent in December 2021. Although some of the food items such as edible oil, fruits, confectionary and non-alcoholic beverages and prepared meals saw a month-on-month (m-o-m) decline in inflation, many other items such as cereals, meats, egg, vegetables, pulses etc witnessed higher inflation.

A note prepared by Sunil Kumar Sinha and Paras Jasrai of India Ratings & Research, the core inflation has remained flat at 5.96 per cent in January as against 6.01 per cent in December. "Ind-Ra has been pointing out for a while now that the inflation in items such as clothing and footwear, health, and transport and communications is turning structural. It appears that now household goods and services has taken a structural turn," the note said.

Swati Arora, economist with HDFC Bank, said the core inflation (CPI excluding food and fuel) continued to remain elevated, led by higher clothing and footwear, household goods and services and recreation and amusement. "Going forward, a rise in crude oil prices due to geopolitical tensions pose an upside risk on inflation. We expect inflation to average at 5.9 in Q4 FY22. Heading into FY23, inflation is expected to average around 5-5.2 per cent in H1 FY23 and ease to 4.5-5 per cent by H2 FY23," she said.

**M Govinda Rao, Chief Economic Adviser at Brickwork Ratings, felt that the rising international crude oil prices remain a huge threat accentuating inflationary pressures. "Although the fuel inflation eased in January 2022 (9.32 per cent) compared to December 2021 (10.95 per cent), we expect the pressure on prices likely to remain till there is some respite from the rising international crude oil prices. The ongoing Ukraine crisis is likely to escalate the crude prices, hence the Central government may have to lower excise duties in the coming months to control inflation," he said.**

### Wholesale Inflation

A statement issued by the Commerce and Industry Ministry attributed the double digit rate of wholesale inflation rate to rise in prices of mineral oils, crude petroleum and natural gas, basic metals, chemicals and chemical products, food articles etc.

Aditi Nayar, Chief Economist with ICRA, said the initial index for crude oil for January 2022 is sure to undergo a lagged upward revision, which will push up the revised WPI inflation for that month above to initial 13 per cent. The continuous hardening in crude oil prices exacerbated by the ongoing geo-political concerns, and its impact on the INR, poses the biggest risk to the WPI inflation trajectory in the ongoing quarter.