

# CONSUMER PRICE INFLATION - FEB'24

Inflation steady, food prices rise slightly

India's Feb'24 CPI inflation was steady at 5.1%, a fraction lower than that in Jan, in line with our 5.07% estimate. While, driven by a rise in prices of vegetables, food prices rose slightly, the decline in other components of the CPI basket kept inflation unchanged

**Core inflation on a downward trajectory.** Core inflation continued to fall in Feb'24, slipping below the 4% mark. The slowdown was largely due to the drop in housing and healthcare inflation. The cumulative impact of rate cuts and weak personal demand likely drove deceleration in the core

**Food inflation slightly up.** Driven by vegetable, meat and fish price rises, inflation of the food basket rose to 7.8%, further highlighting its volatile nature and RBI concerns in navigating the 'last mile' of disinflation

**Policy stance to be unchanged.** Despite anticipated rate cuts by major Central banks in advanced economies by mid-year, the RBI is expected to continue its stance of withdrawing "accommodation". The Central bank is concerned about the risk of repetitive food-price shocks in the disinflation trend. Better-than-expected GDP growth this year—and hearty expectations for the next—would hold the RBI on a wait-and-watch mode for the near term

Key inflation rates, y/y, %

Headline	Core
5.1	3.7
Non-Core	Food
6.0	7.8
Fuel	Health
-0.8	4.5
Household Goods & Services	Housing
2.8	2.9

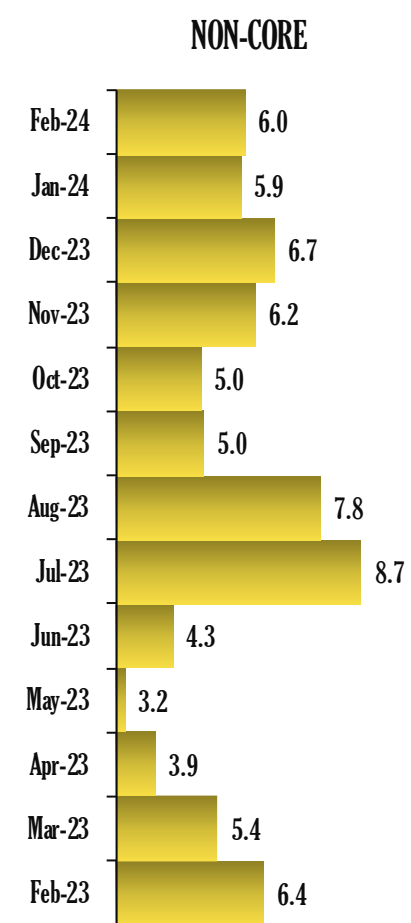
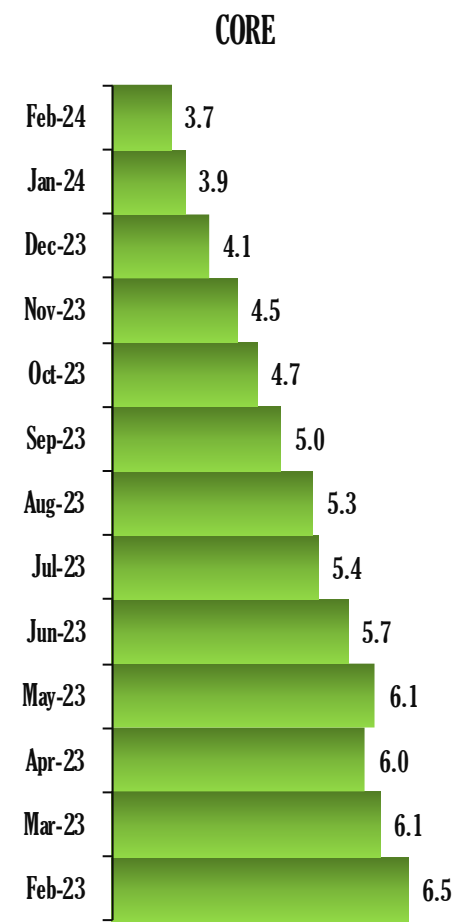
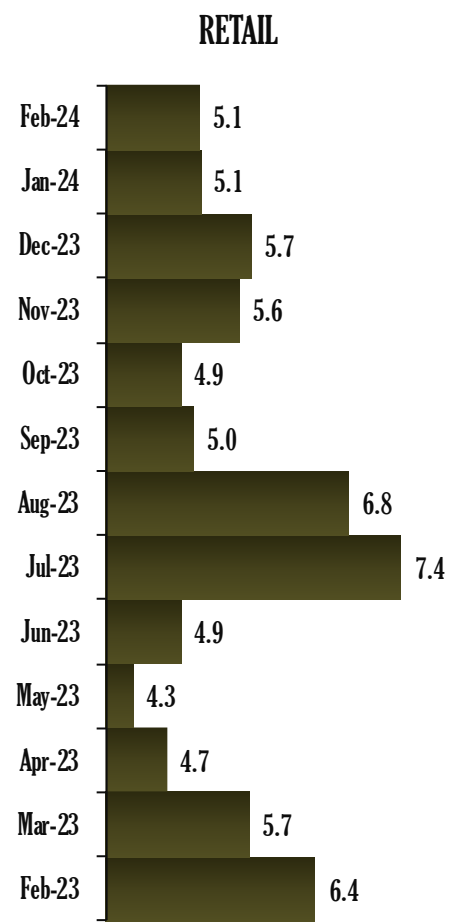
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# CPI STEADY, CORE CONTINUED TO SOFTEN

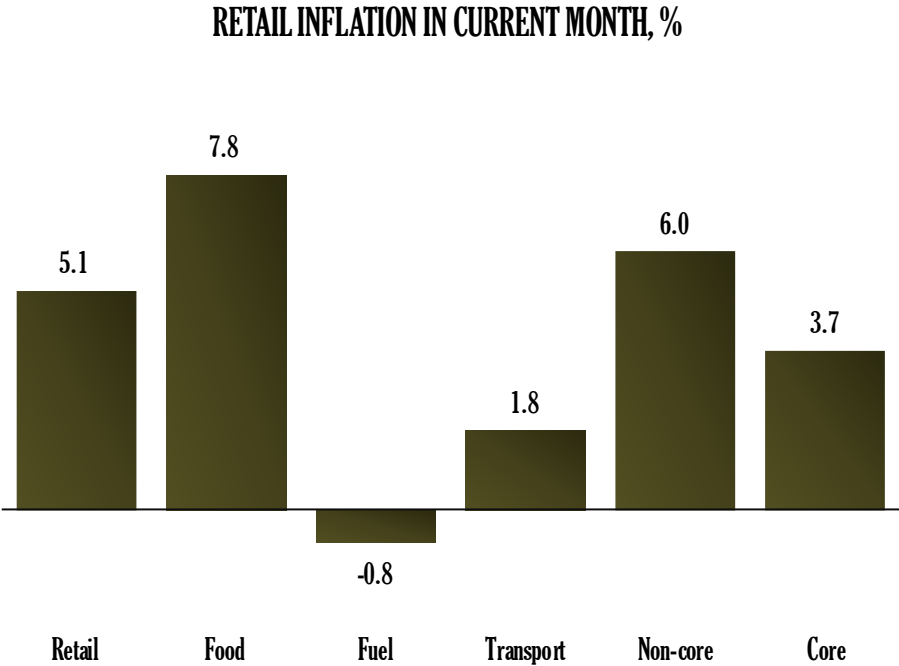
India's CPI held steady at 5.1% in Feb'24. The continued decline in housing, health and transportation resulted in core inflation easing a further 20bps. Non-core inflation rose fractionally, driven by more food products due to firm vegetable prices. Although the core inflation trend has been declining for over a year due to easing global commodity prices and services, headline inflation is still above the RBI's 4% target due to food



Source: MOSPI, CEIC, Anand Rathi

# HOUSING, FUEL AND SERVICE INFLATION MODEST, FOOD ROSE

Inflation in the service category has declined to the lowest level in four years, driven by easing in health, transport, communication and education. Fuel inflation held in negative territory for the sixth successive month due to the base effect despite rising global crude prices. The decline in housing inflation (significant 10% weight) has been a key factor for softer core inflation. Food inflation, which declined significantly last month, rose 20bps to 7.8% in Feb'24, driven by firm vegetable prices where the annual inflation rose to a seven-month high of 30.2%

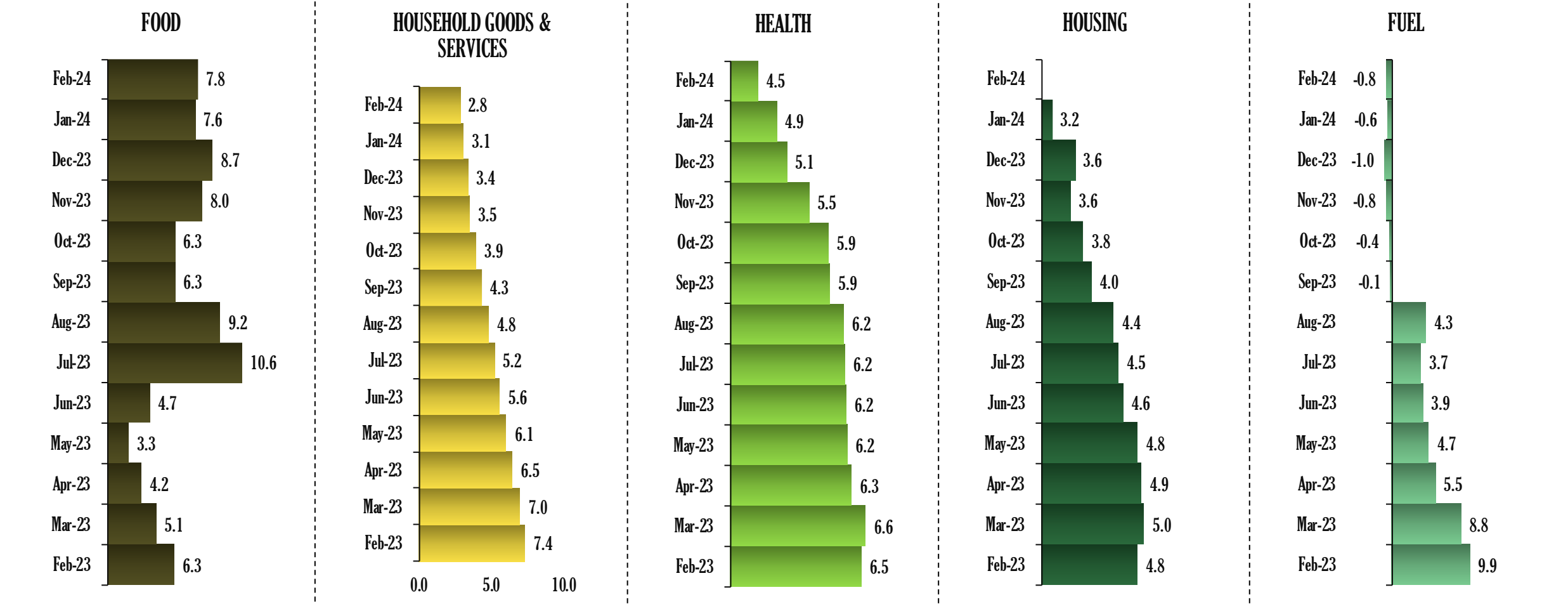


	Contribution relative to weight, y/y				
	Feb-24	Jan-24	Dec-23	Current year	Last year
Food	23.9	22.4	24.3	25.1	-4.5
Fuel	-5.8	-6.0	-5.6	-5.9	4.4
Transport	-5.7	-5.5	-5.8	-5.8	-2.8
Non-core	10.3	9.2	10.4	11.5	-3.0
Core	-10.3	-9.2	-10.4	-11.5	3.0
Tobacco, wine	-0.7	-0.7	-0.7	-0.8	-1.0
Clothing	-1.9	-1.6	-1.7	-2.1	2.7
Footwear	-0.5	-0.4	-0.4	-0.5	0.5
Housing	-4.5	-3.9	-3.8	-4.2	-1.0
Household goods & services	-1.7	-1.6	-1.6	-1.9	0.8
Health	-0.5	-0.1	-0.5	-0.9	0.8
Recrteation	-0.8	-0.8	-0.8	-0.8	-0.4
Education	-0.3	-0.2	-0.7	-0.3	-0.2
Personal care	0.2	0.6	1.1	-0.1	1.5

Source: MOSPI, CEIC, Anand Rathi

# SERVICES INFLATION, LOWEST IN OVER FOUR YEARS

Services inflation continued to soften with all its components easing further in Feb'24. Housing inflation came at the lowest level in 40 months, falling below 3% for the first time since Sep'20. Health, household goods and services & transportation, which comprise 18.3% of the index, fell further. The base effect kept fuel inflation in check despite the monthly rise in global crude prices. At the same time, the volatile nature of food inflation further aggravated the RBI's concern regarding the last mile of the disinflation trend



# VEGETABLES AND PULSES INFLATION FIRM, CEREALS AND SPICES EASED

Inflation in vegetables and pulses stayed high in Feb'24, with inflation in vegetables surging above 30% as prices held firm. Although prices of pulses eased sequentially, inflation was still high. Inflation in cereals fell to a 19-month low. Meat and fish, which were easing, rose to the highest level in 12 months. Inflation in cereals declined to 7.6% in Feb'24 (7.8% the month prior ), while that in spices further eased to 13.5%, the lowest in 19 months. Adverse weather may impact short-term price movements. The government has stepped in to procure more wheat to ensure supply, and make necessary market interventions

Item-wise inflation (y/y, %)

Top 20	Bottom 20
Garlic 222.9	Berries -28.5
Ginger 93.2	Refined Oil -22.9
Jeera 89.8	Mustard Oil -19.5
Watermelon 46.2	Air Fare Normal -15.5
Arhar, Tur 39.1	Kerosene by PDS -14.2
Tomato 38.3	Vanaspati, Margarine -13.7
Brinjal 33.7	Coconut 0.1
Apple 31.4	Liquefied Petroleum Gas -13.3
Onion 29.6	Orange, Mausami -7.4
Cauliflower 21.9	Monthly Maintenance Cl -6.3
Cabbage 21.8	Papaya -5.5
Guava 21.3	Dhania -5.0
Beans, Barbati 20.5	Chicken -4.1
Ragi and Its Products 16.4	Bedding -2.8
Coffee 3.8	Pineapple -2.8
Lemon 15.7	Singara -2.8
Other edible birds 15.3	Cashewnut -2.3
Peas 15.2	Small Millets and Their P -2.3
Gram 13.6	Potato -1.9
Radish 15.1	Coconut Oil -1.7

Item-wise inflation relative to weight (y/y, %)

Top 20	Bottom 20
Rice non-PDS 10.0	Refined Oil -6.2
Garlic 9.2	Mustard Oil -5.5
Jeera 6.8	Liquefied Petroleum Gas -4.5
Arhar, Tur 5.9	Kerosene by PDS -2.5
Milk 5.0	Chicken -1.3
House Rent, Garage Rent 4.5	Dhania -0.4
Medicine Non-Institutional 3.9	Coconut 0.0
Onion 4.2	Air Fare Normal -0.3
Electricity 3.4	Potato -0.4
Tuition And Other Fees for School, Colleg 2.6	Vanaspati, Margarine -0.2
Tomato 2.7	Orange, Mausami -0.2
Ginger 2.8	Papaya -0.1
Gold 2.6	Monthly Maintenance Cl 0.0
Cooked Meals Purchased 2.2	Coconut Oil 0.0
Brinjal 2.0	Cashewnut 0.0
Apple 1.6	Television 0.0
Wheat or Atta non-PDS 1.0	Masur 0.0
Fish, Prawn 1.1	Berries 0.0
Other Vegetables 1.1	Clothing 0.0
Sugar non-PDS 1.0	Internet Expenses 0.0

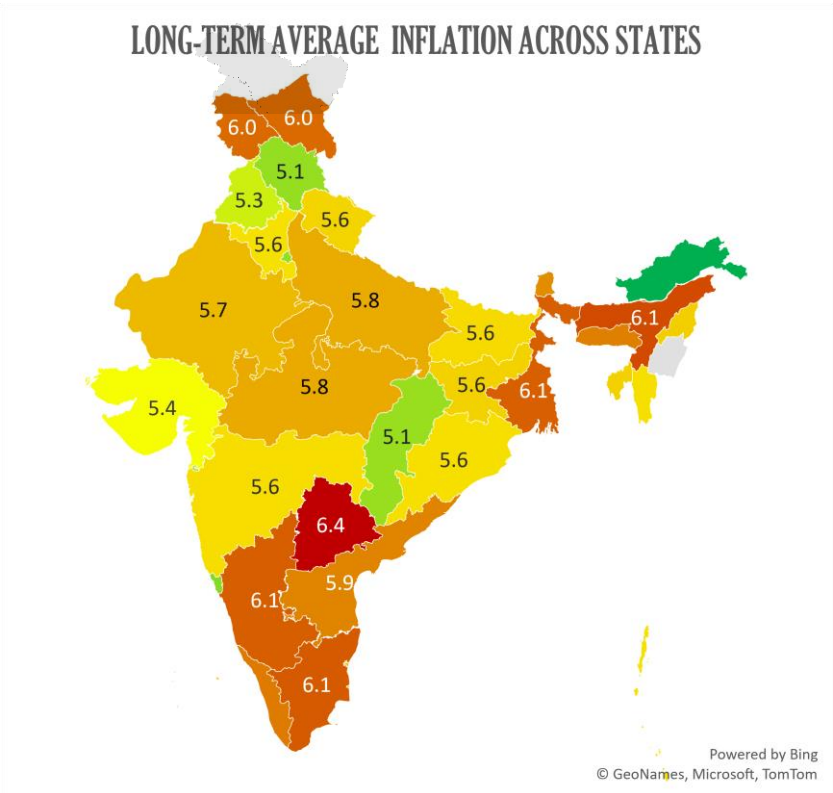
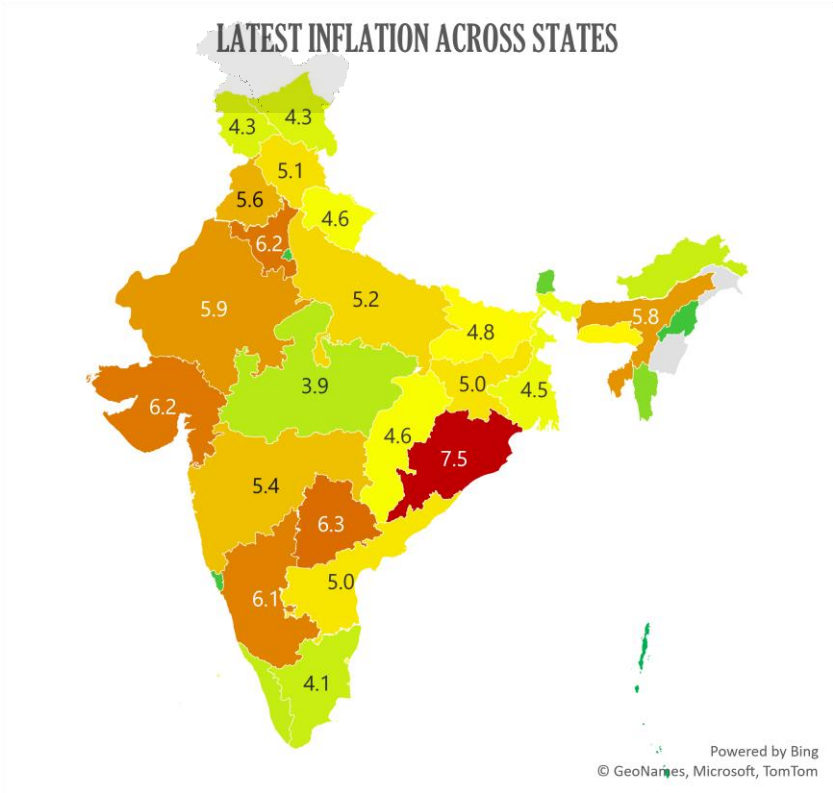
Inflation rate	Weight of items
Below 0	8.2
0 3	22.8
3 5	36.7
5 7	12.4
7 10	2.7
Above 10	16.9

Standard deviation
Jan-24 16.4
Dec-23 16.3
Nov-23 14.5
Oct-23 14.2
Sep-23 13.9
Aug-23 17.4
Jul-23 18.5
Jun-23 12.1
May-23 10.6
Apr-23 8.6
Mar-23 8.0
Feb-23 8.8

Source: MOSPI, CEIC, Anand Rathi

# STATE-LEVEL DIVERGENCE PERSISTS

Inflation moderated in the western states in Feb compared to the previous month, but slightly rose for the eastern and southern states. Odisha saw the highest inflation for the fourth month in a row, followed by Telangana. Delhi, however, saw the lowest inflation level. While urban inflation fell to 4.78% in Feb'24 (from 4.92%), rural inflation was unchanged at 5.34%



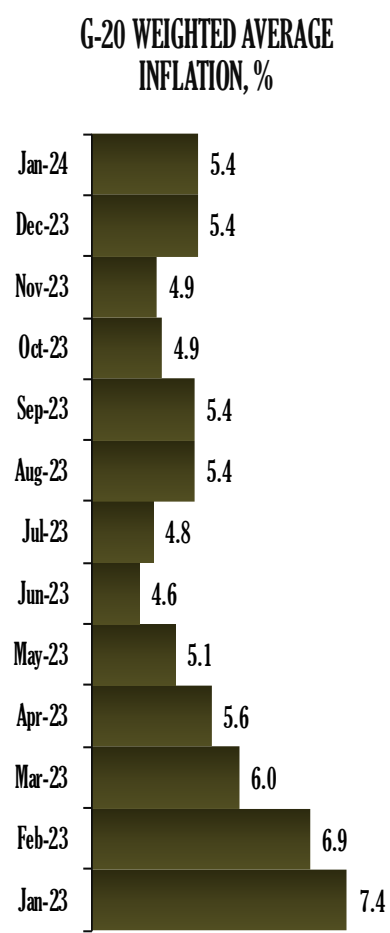
Low Moderate High

Source: MOSPI, CEIC, Anand Rathi

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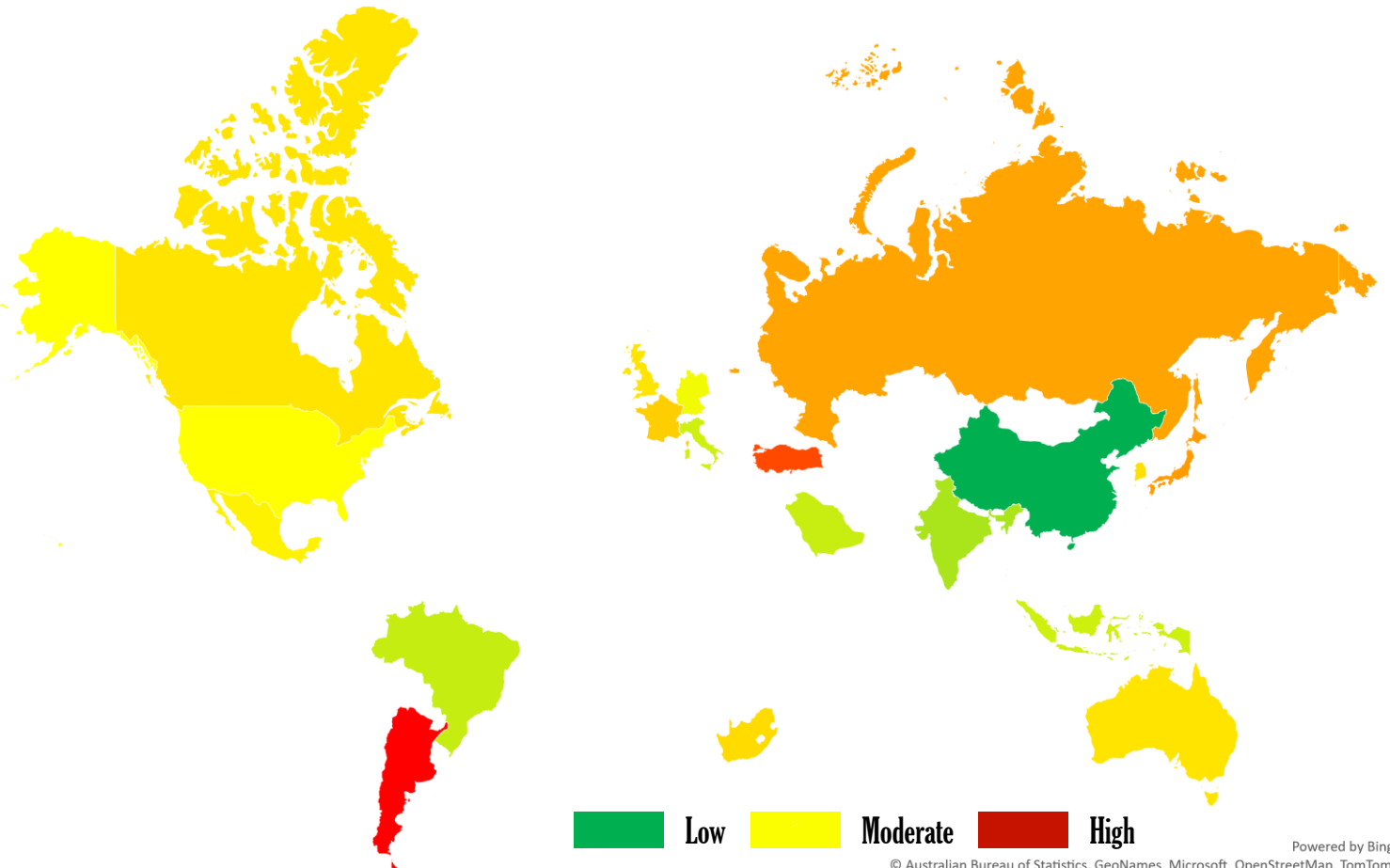
# GLOBAL INFLATION STEADY

Global inflation was unchanged for Jan'24. China's consumer prices exited deflation territory. Annual inflation in the US for Feb'24 came at 3.2%, slightly above market expectations. Geopolitical risks are key concerns for the inflation outlook. While major Central banks are expected to cut interest rates by mid-year, escalations in the Middle East and the Red Sea issue could cloud the inflation outlook and disrupt supply chains, adding uncertainty regarding easing financial conditions



	Inflation
Argentina	254.2
Turkey	67.1
Russia	7.4
South Africa	5.3
India	5.1
Brazil	4.5
Mexico	4.4
United Kingdom	4.0
Australia	3.4
South Korea	3.1
United States	3.1
France	2.9
Canada	2.9
Indonesia	2.8
Germany	2.5
Japan	2.1
Saudi Arabia	1.6
Italy	0.8
China	0.7

LATEST INFLATION IN G-20 COUNTRIES



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Source: MOSPI, CEIC, Anand Rath



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