

India's Consumer Price Index Drops To 5.88% In November

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India's consumer price index inflation for November decreased to an 11-month low of 5.88 per cent from 6.77 per cent in October, according to the data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Monday.

Amid the monetary tightening by the Reserve Bank of India (RBI), retail inflation in India has hit its lowest level since December 2021.

Notably, the CPI has dropped below the central bank's upper margin of 6 per cent for the first time this calendar year.

In October, CPI eased to 6.77 per cent from 7.41 per cent last month. Inflation in the food industry for October was 7.01 per cent, down from 8.6 per cent in September.

Also, the Modi government has mandated the RBI to maintain retail inflation at 4 per cent with a margin of 2 per cent on either side till March 2026.

On CPI numbers, Suvodeep Rakshit, Senior Economist, Kotak Institutional Equities said, "November CPI inflation, much lower than expected, dipped to 5.9 per cent, with food prices momentum softening sharply compared to the last few months. Food inflation softened to 6.2 per cent. However, core inflation remained sticky at slightly above 6 per cent."

Rakshit added that Kotak continue to see CPI inflation around 6 per cent till February 2023 before dipping sharply to 5% in March and to around 4.5 per cent in 1QFY24. The inflation trajectory is likely to be slightly below the RBI's latest estimate. The case for a pause in the February policy itself will get stronger, especially as the next few CPI inflation prints possibly remain below 6 per cent.

"However, with the focus increasing on sticky core inflation, the February policy will be a tough choice between further tightening and a prolonged pause, especially if global and domestic growth impulses start softening. The skew, for now, remains towards a last 25 bps hike followed by a prolonged pause," he added.

Meanwhile, the data from the ministry revealed that the country's factory output, measured through the Index of Industrial Production (IIP) contracted by (-)4.0 per cent in October.

Vijay Kalantri, Chairman, MVIRDC World Trade Center Mumbai, said, "India's retail inflation has finally fallen below the RBI's upper band of 6 per cent for the first time since December 2021 thanks to the moderating global commodity prices."

Kalantri said that a key highlight of this data is that inflation in most of the services such as education, healthcare and recreation has fallen below the 6 per cent level, which shows the disinflationary trend is more broad-based and not restricted only to commodities.

"We hope the declining trend in inflation will help consumers maintain their purchasing power and support consumption, which contributes around 70 per cent to our GDP," Kalantri added.