

Retail inflation remains above RBI's target; here's what experts have to say

ANI 14 March, 2023 01:14 pm IST



Representative Image

New Delhi [India], March 14 (ANI): Retail inflation in India fell marginally but remained above RBI's 6 per cent upper tolerance band for the second straight month in February, with the Consumer Price Index pegged at 6.44 per cent, government data showed.

The retail inflation in rural and urban India was 6.72 per cent and 6.1 per cent, respectively. Cereals, products, and fruits, among others, contributed to the elevation in retail inflation in February.

Further, Consumer Food Price Index in February was 5.95 per cent, data showed. Retail inflation for vegetables, however, declined 11.61 per cent.

In January, the retail inflation was 6.52 per cent.

India's retail inflation was above RBI's 6 per cent target for three consecutive quarters and had managed to fall back to the RBI's comfort zone only in November 2022.

Under the flexible inflation targeting framework, the RBI is deemed to have failed in managing price rises if the CPI-based inflation is outside the 2-6 per cent range for three quarters in a row.

Since May last year, the RBI has increased the short-term lending rate by 250 basis points, including the latest 25 bps hike, to tame inflation. Raising repo rate helps in cooling demand in the economy and thus helps in managing inflation.

Raising interest rates is a monetary policy instrument that typically helps suppress demand in the economy, thereby helping the inflation rate decline.

Following are some of the views from analysts and experts on the January retail inflation numbers:

Rajani Sinha, Chief Economist, CareEdge

With core inflation still high, we cannot rule out the possibility of another 25-bps rate hike by RBI in the April meet. For the next fiscal, we expect average CPI inflation at 5.1 per cent due to combination of factors including support from a high base, assumption of a normal monsoon, no major rebound in global commodity prices and some moderation in domestic growth.

Dipti Deshpande, Principal Economist, CRISIL

Another rate hike by the RBI in April cannot be ruled out.

Inflation is expected to moderate next fiscal, helped by a reduction in fuel and core inflation. Food – a big mover of overall inflation – faces risks from the potential heatwave.

Nikhil Gupta, Chief Economist, MOFSL Group

Overall, the worst of inflation is likely behind us. Headline inflation could fall below 6 per cent in March 2023 and further down towards 5 per cent in coming months. We also believe that 25 basis points hike in April by the RBI is almost certain.

Nish Bhatt, Founder and CEO, Millwood Kane International

Inflation and interest rates are expected to stay elevated globally. A slowdown in the growth rate will impact the central banks' ability to hike rates and keep inflation in check. Growth concerns and geopolitical tensions are two key factors that will define the inflation and interest rate trajectory.

Suvodeep Rakshit, Senior Economist, Kotak Institutional Equities

The RBI will remain hawkish in the April policy as inflation prints have spiked back over 6 per cent in January-February along with core inflation remaining sticky above 6 per cent. We continue to expect a 25 basis point repo rate hike in the April policy.

Vijay Kalantri, Chairman, MVIRDC World Trade Center Mumbai

We expect the RBI to continue to hike policy rate in the next policy meeting as well in April in response to persistent inflationary pressure.

Yashwin Bangera, Senior Vice President- Research, Knight Frank India

At the current levels, elevated consumer inflation widens the scope of the RBI to hike the key policy rate in its next MPC meeting. However, since most of the price pressure at consumer level is arising from food inflation, which is more sensitive to seasonal factors, there is a less scope of softening inflation due to any further rate hikes. Rather a combination of increase in consumer prices along with a further rise in interest rate could be a double whammy to domestic economic growth. (ANI)

This report is auto-generated from ANI news service. ThePrint holds no responsibility for its content.