

# Retail Inflation Drops To 5.72% In Dec; IIP Rises To 7.1% In Nov



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For the second consecutive month, retail inflation in India remained within the Reserve Bank of India's (RBI) comfort zone of 2-6 per cent, as per the data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Thursday.

Inflation measured by the Consumer Price Index (CPI) decreased to 5.72 per cent in December. In November it was 5.88 per cent, and in October 2022 it was 6.77 per cent.

Food inflation, which makes up roughly 40 per cent of the inflation basket, decreased from 4.67 per cent in November to 4.19 per cent in December.

Inflation was kept below the acceptable range thanks in part to lower food prices, particularly the decline in vegetable prices.

For a five-year term ending in March 2026, the government has instructed the RBI to keep retail inflation at four per cent with a two per cent margin on either side.

Vijay Kalantri, Chairman, MVIWDC World Trade Center Mumbai commented on CPI inflation, "The second consecutive month of decline in retail inflation is in line RBI's projection and it is largely led by moderation in food price inflation, particularly contraction in vegetable price inflation. We expect RBI to hold policy rates in the forthcoming policy meet in February 2023, given the consistent moderation in retail inflation."

He added, "We can expect the pace of moderation in inflation to accelerate if state governments in eight states take supply side measures to control inflation. These states are: Andhra Pradesh, Punjab, Haryana, Madhya Pradesh, Telangana, Uttar Pradesh and Uttarakhand and Rajasthan where CPI inflation is above the six per cent mark."

On the other hand, according to government data, factory output, as measured by the Index of Industrial Production (IIP), increased 7.1 per cent in November as opposed to four per cent in October.

It is also anticipated that December's Consumer Price Index (CPI) for the US will be moderate.

In a study conducted by data source FactSet, economists expected that consumer prices would increase 6.5 per cent in December compared to the same month last year. That would be lower than the 40-year high of 9.1 per cent in June and down from the 7.1 per cent in November.

The Federal Reserve Bank of New York reported on Monday that consumers now expect inflation to be five per cent over the coming year. This expectation is at its lowest level in almost 18 months.

The average inflation rate anticipated by consumers over the next five years is 2.4 per cent, well above the Fed's two per cent target.

The anticipation of fewer rate hikes this spring and reductions by the end of the year has been resisted by Fed Chair Jerome Powell, which may make the Fed's task more difficult if investors drive up stock prices and drive down bond yields.