



CONSUMER PRICE INDEX - DECEMBER 2021

CPI Base Year 2012

Particulars (%)	Dec' 21	Nov'21	Dec'20	YoY%
Food and beverages	168.2	169.7	161	
Cereals & products	148.7	148.2	144.9	3%
Meat and fish	198.8	201.6	190.1	5%
Milk & ,milk products	159.9	159.3	154.1	4%
Fruits	154.9	156.5	149.6	4%
Vegetables	188.4	199.2	194.2	-3%
Pulses & products	164.3	165.3	160.4	2%
Pan, tobacco, intoxicants	192.5	192.9	186.5	3%
Clothing and footwear	167	165.8	154.2	8%
Housing	163.4	164.2	157.7	4%
Fuel and light	164.1	163.9	147.9	11%
Miscellaneous	162	161.4	151.9	7%
GENERAL INDEX	166.1	166.7	157.3	
CPI	5.59%	4.91%		

Highlights

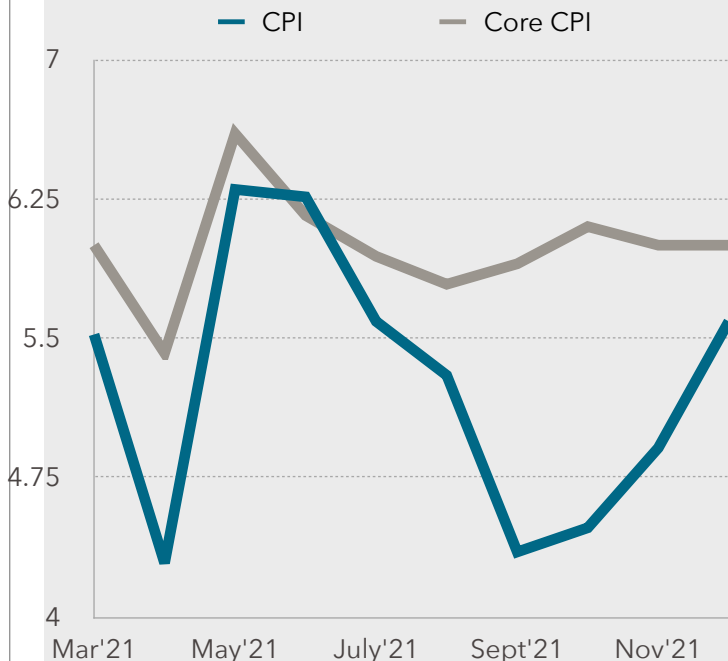
- In Dec'21, CPI accelerated to 5.59% compared with 4.91% in the previous month driven by a favourable base effect, high energy costs and telecom sector tariffs. Core CPI, has remained sticky at 6%.
- Vegetables were on a deflationary trend, decreasing by 3% whereas the other items within food and beverages saw a rise in prices YoY.
- Edible oil prices rose 24% YoY due to a global decline in production, however, recently prices have witnessed a moderation.
- GST is expected to be hiked for footwear from January 01, 2022, causing prices to rise in the clothing and footwear segment.
- Fuel prices have increased 11% YoY and 1.12% MoM.
- Transport and telecommunications in the Miscellaneous segment witnessed a 9.6% rise in prices as India's major telecommunications companies hiked tariffs.

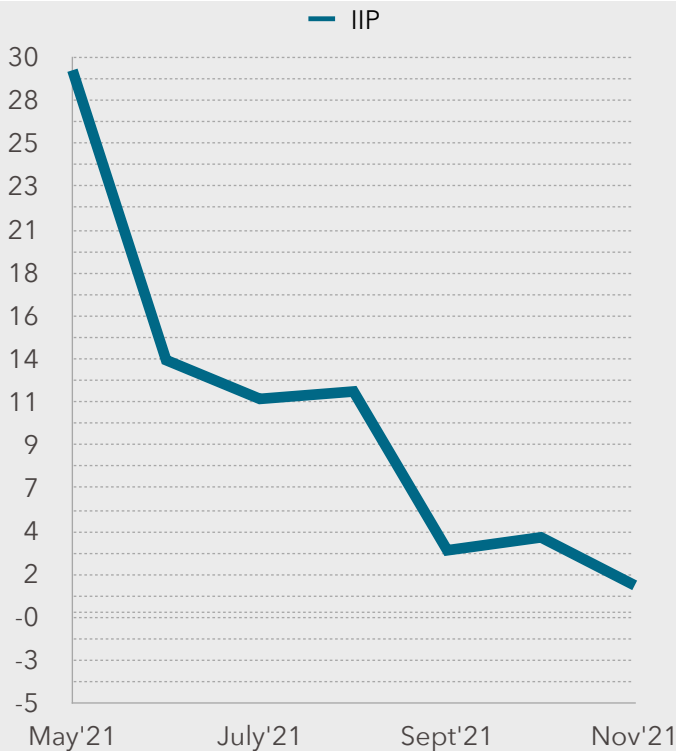
Outlook

Inflation has remained within the Reserve Bank of India's tolerance band of 2-6% for the sixth consecutive month, however, the latest print of 5.59% has inched closer to RBI's upper tolerance level and will be a concern for the next MPC decision.

We do not see a rate hike in the next meeting amidst uncertainty revolving around Omicron, weather conditions, fuel prices and various supply bottlenecks, however, we expect RBI to continue with draining excess liquidity from the system via VRRRs.

The current wave and the severity of lockdown restrictions this month will decide the timing of policy normalisation.





IIP increased 1.4% YoY in November 21 vs a 4% growth in October.

Manufacturing output rose 0.9% in November, the pace easing from a 2% rise in the previous month. Mining production rose 5%, as compared with an 11.4% increase in the previous month.

Electricity output expanded 2.1% in November, slower than 3.1% expansion in the previous month.

For the first eight months of this fiscal year that started Apr. 1, manufacturing, mining and electricity output expanded 18.5%, 18.2% and 10.2% from the comparable period last year.

Capital goods output shrank 3.7% on year in November, primary goods production rose 3.5%. Output of intermediate goods increased 2.5% on year against a 2.1% rise in October.

Consumer durable goods output fell 5.6% from a year earlier in November, while consumer non-durables production expanded 0.8% in the same month.

Infrastructure goods output expanded 3.8% on year.

Industrial output for April to November rose 17.4% on year, as compared to 15.3% contraction in the year-ago period.

Sources: Reserve Bank of India, Reuters.

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