



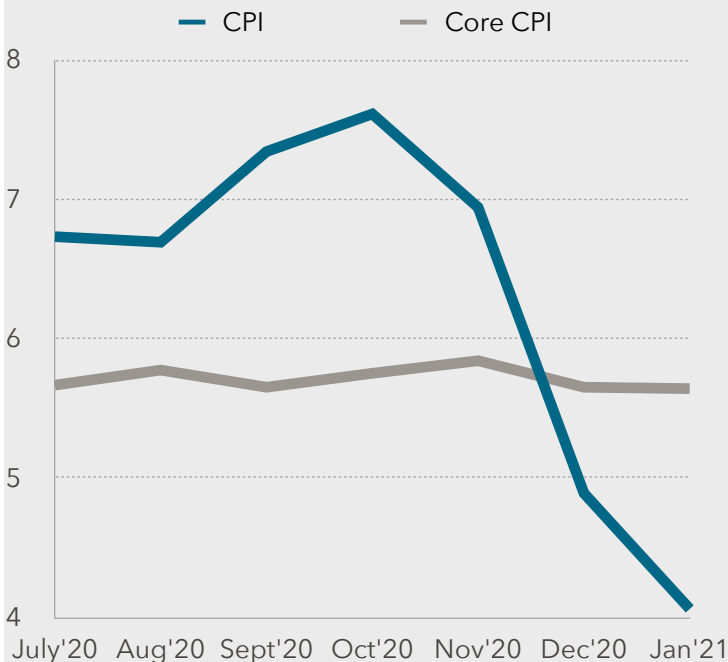
CONSUMER PRICE INDEX - INFLATION

CPI Base Year 2012

Highlights

Particulars (%)	Jan'21	Dec'20	Jan'20
Food and beverages	2.67	3.87	11.79
Cereals & products	0.07	0.98	5.25
Meat and fish	12.54	15.21	10.50
Milk & ,milk products	2.73	3.98	5.63
Fruits	4.96	2.68	5.76
Vegetables	-15.84	-10.41	50.19
Pulses & products	13.39	15.98	16.71
Pan, tobacco, intoxicants	10.87	10.74	3.62
Clothing and footwear	3.82	3.49	1.91
Housing	3.25	3.21	4.20
Fuel and light	3.87	2.99	3.66
CPI	4.06	4.59	7.59

Source: MOSPI, Trading Economics



- Retail inflation decreased to 4.06% in Dec'20 as against 4.59% in Nov'20. The drop in inflation could be attributed to a significant fall in food prices - sharp decline in some components on the food basket, especially vegetables and due to a favourable base effect. The Vegetable component declined by -15.84% from 10.41% in the pervious month.
- Cereals and meat & fish also witnessed a drop in the last month.
- Fuel and light rose to 2.99% from 1.90% previously. This could be mainly attributed to crude oil price volatility in global markets.
- Core inflation has been sticky at 6.5% primarily due to high inflation in the miscellaneous segment and double digit

Outlook

Headline inflation has now remained within RBI's band of 2-6% for the second consecutive month.

We expect retail inflation to inch upwards in the next 2 months upto 4.50-5.00% as the favourable base effect wanes and as prices of certain vegetables increase. Outlook for core inflation will be driven by cost-push pressures.

Repo rate is expected to remain unchanged with forward guidance and an accommodative stance in the next monetary policy. RBI will take cues from global commodity prices as well.