

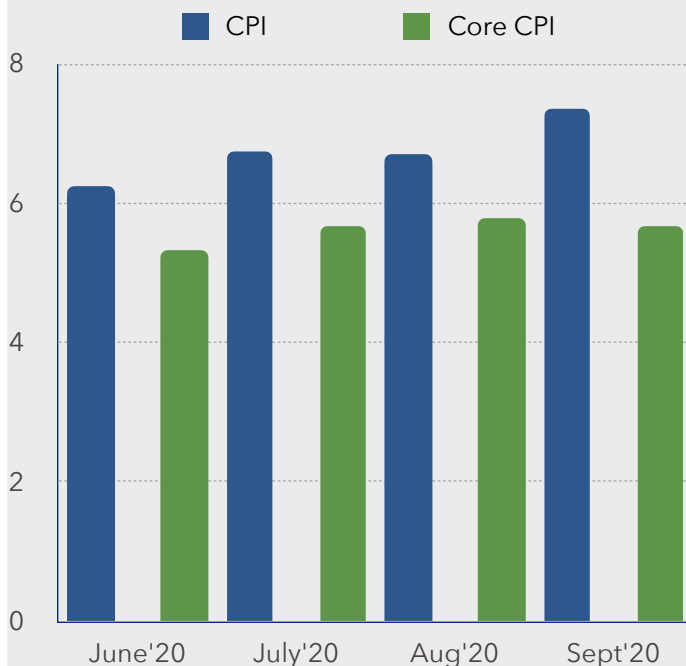


CONSUMER PRICE INDEX - INFLATION

CPI Base Year 2012

Particulars (%)	Oct'20	Sept'20	Oct'19
Food and beverages	10.16	9.73	6.93
Cereals & products	3.39	4.68	2.16
Meat and fish	18.70	17.60	9.75
Milk & ,milk products	5.20	5.64	3.10
Fruits	0.34	3.21	4.08
Vegetables	22.51	20.73	26.10
Pulses & products	18.34	14.67	11.72
Pan, tobacco, intoxicants	10.65	10.81	3.92
Clothing and footwear	3.17	3.04	1.56
Housing	3.27	2.83	4.58
Fuel and light	2.28	2.87	-2.02
CPI	7.61	7.34	4.62

Source: MOSPI, Trading Economics



Highlights

- Retail inflation climbed to 7.61% in Oct'20 as against 7.34% in Aug'20. The surge in inflation could be attributed to higher food inflation due to COVID-19-led-supply disruptions and an extension of the monsoon in states such as Maharashtra, Karnataka and Andhra Pradesh have damaged and delayed the harvesting of onions.
- Food and beverages that make up for the highest weightage of the basket inched upwards to 10.16% from 9.73% previously. It has increased tremendously in comparison to October'19 inflation which stood at 6.93%.
- Clothing and footwear has witnessed a slight jump which could be attributed to festive demand.
- Housing seen a considerable rise recorded at 3.27% vs 2.83% previously.

Outlook

Headline inflation continued to remain above the RBI's band of 2-6% for 6th consecutive month in Sep'20. Inflation numbers have risen amid a sharp surge in food inflation, especially of onions, dampening possibilities of RBI's rate cut in FY21. RBI may pause its rate cut cycle this December and save room for a cut in its February 2021 policy as and when inflation comes closer to the target range.

Going ahead we expect inflation to ease in the coming quarter on account of a favourable base effect, reduced food prices in the winter season and further easing of lockdown restrictions.