

[Home](#) / [Economy](#) / Retail inflation races to eight-year high in April

Retail inflation races to eight-year high in April



OPEN APP

India is among major economies facing high inflation, with the US at 8.3% and the euro region at 7.5%.

4 min read . Updated: 13 May 2022, 01:24 AM IST

Ravi Dutta Mishra, Gireesh Chandra Prasad

Galloping retail inflation raises expectations of aggressive interest rate hikes

Spiralling inflation and the impact of the war in Europe have prompted agencies, including RBI, to temper FY23 growth forecast

Listen to this article

[HOME](#)
[LATEST](#)
[MARKETS](#)
[PREMIUM](#)
[FOR YOU](#)

years, led by a surge in food and fuel prices, raising expectations that the central bank may favour more aggressive rate hikes in June to cool prices.

Close

A Mint poll of 24 economists estimated retail inflation at 7.5% in April. Inflation has now remained above the Reserve Bank of India's (RBI's) upper tolerance band of 6% for the fourth consecutive month. It was at 6.95% in March.

OPEN APP

RECOMMENDED FOR YOU

View All



PREMIUM

Homebuyers should watch out for rising interest rates



PREMIUM

The Competition Commission of India and competition law may g...



PREMIUM

Hindalco loses shine as aluminium prices fall



PREMIUM

Central govt's fiscal policies fanned inflation, says Tamil N...

Economists said the higher-than-expected April reading has significantly raised the likelihood of a faster pace of rate increases by the monetary policy committee this year. The rate-setting panel raised the repo rate by 40 basis points (bps) in an out-of-turn meeting earlier this month, the first increase in nearly four years.

[HOME](#) [LATEST](#) [MARKETS](#) [PREMIUM](#) [FOR YOU](#)

Experts now expect the central bank to hike the repo rate by 25-40 basis points (bps) in the June policy and raise rates by around 75-100 bps in the year to 31 March.

“The surge in the retail inflation clearly justified the off-cycle rate hike last week and significantly raised the likelihood of a back-to-back rate increase in June 2022,” said Aditi Nayar, chief economist, ICRA Ltd. “We now foresee a high likelihood that the MPC will raise the repo rate by 40 bps and 35 bps, respectively, over the next two policies to 5.15%, followed by a pause to assess the impact of growth. As of now, we continue to see the terminal rate at 5.5% by the middle of 2023.”

[OPEN APP](#)

D.K. Srivastava, chief policy adviser, EY India, said he expects the RBI to increase the policy rate by an additional 50 basis points or more in one or two steps. “With higher interest rates, investment and growth may be adversely affected. But there may also be a positive spinoff due to higher growth in taxes linked to higher nominal growth,” Srivastava said.

[HOME](#)
[LATEST](#)
[MARKETS](#)
[PREMIUM](#)
[FOR YOU](#)

above 6.5% for the better part of the year. "We see a higher base softening the May CPI inflation print, although it will remain above 6.5%," Nayar said.

India is among several major economies facing high inflation, with the US at 8.3% in April and the euro region at 7.5%. China, however, reported a 2.1% retail inflation in April.

[OPEN APP](#)

TRENDING STORIES



Day trading guide for Friday: 6 stocks to buy or sell today —...



Tata Motors shares jump 8% as Q4 loss narrows. Brokerages rem...



Adani Power follows Adani Wilmar, market cap dips below ₹1 l...



Rahul Gandhi gets '5 AM' warm welcome in Rajasthan ahead of 3...

Meanwhile, industrial output data for March showed subdued growth, complicating the challenges for monetary and fiscal policymakers. The index of industrial production (IIP) grew 1.9% in March from 1.7% in the preceding month.

Industrial output data, also released by the ministry on Thursday, showed the output of consumer durables and non-durables contracted in March from the year-ago period, indicating the impact of inflation on demand while capital goods output growth, a proxy for investment growth, remained muted in March over a high base.