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CPI inflation accelerates to a 17-month high in March



The RBI on Friday sharply revised upwards the inflation forecast for 2022-23 to 5.7% from 4.5%. **(Mint)**

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Inflation based on the Consumer Price Index (CPI) rose to 6.95% in March from 6.07% in the previous month

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Economists caution that the inflation will likely remain elevated over the next quarter with the high energy and commodity prices due to the Russia-Ukraine conflict steadily transmitting to transportation and other consumer facing sectors of the economy, making rate hike imminent in the latter half of the current fiscal. [OPEN APP](#)

RBI on Friday sharply revised upwards the inflation forecast for 2022-23 to 5.7% from 4.5%.

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Inflation based on the Consumer Price Index (CPI) rose to 6.95% in March from 6.07% in the previous month, according to data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Tuesday. "While we were expecting inflation to increase in March 2022, the pace of increase is higher than our expectations and is alarming. Even more worrying aspect is that the increase in

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transport sector could indirectly affect prices of other commodities, adding to the core price pressures," added Sinha, who expects retail inflation to remain close to 6% in the coming months.

The high CPI inflation was led by a spike in food inflation to a 16-month high of 7.68% in March, up from 5.93% in February. Inflation in most items touched multi-months high. Cereals inflation was at a 19 month high, milk and vegetables at 16-month high, clothing at 100-month high footwear at 111 month high, household goods and services at 102-month high, and personal care at 13 month high, analysis by Sunil Kumar Sinha, Principal Economist, India Ratings and Research showed. "Going forward, with increase in cost of essential medicines from April 2022, health inflation is likely to exert further pressure on retail inflation," said Sinha. India's drug pricing authority last month allowed a price hike of 10.7% for scheduled drugs-which are under price control, with over 800 drugs seeing a price rise from April.

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Core inflation, which is non-food, non-fuel, jumped to a 10-month high of 6.29% in March from 5.96% in February.

Fuel inflation eased to 7.52% in March from 8.73% in February. Brent crude oil prices eased to over \$100 per barrel on Tuesday after touching a 14-year high of \$139.13 per barrel last month and falling to under \$100 per barrel mark on Monday. While the RBI-led monetary policy committee maintained a status quo on interest rates in its policy meeting last week, the tone changed from accommodative or growth focused to inflation targeting, suggesting that it may hike interest rates in FY23. “With MPC having signaled an imminent stance change, the rate hike cycle may begin as early as June 2022, if the next CPI inflation print doesn’t significantly cool off from the March 2022 level. We now expect to see 50-75 bps of rate hikes by the end of Q2 FY2023, followed by a pause in H2 FY2023, and perhaps another 50 bps of hikes in FY2024,” said Aditi Nayar, chief economist, ICRA Ratings. [OPEN APP](#)