CPI inflation moderates in May to 7.04%

In a bid to curb rising inflation, RBI has announced an off-cycle rate hike of 40 basis points in May and a 50 basis point rate hike in June to 4.90 per cent.

3 min read . Updated: 13 Jun 2022, 11:51 PM IST

Ravi Dutta Mishra

The inflation index for vegetables saw a sharp jump from 166.2 in April to 174.9 in May, mainly owing to high tomato prices

Listen to this article

0:00 / 0:00

Close

Consumer Price Index inflation moderated to 7.04% in May from 7.79% in April, helped by slower increases in food prices, data released by the Ministry of Statistics and Programme Implementation (MOSPI) showed on Monday.

Economists said the full impact of the measures announced by the government, including excise duty cuts on petrol and diesel, are likely to be seen in the June inflation reading as the excise duty cut was announced in the last week of May. However, they expressed concern about signs of broadening inflationary pressures.

OPEN APP

“Inflation moderated in May, but this was driven by a high base from last year. There are more upside risks to this forecast, with oil prices remaining relentless. RBI is likely increases. Economists contend that while the rate increases risk hurting India's economic recovery, failing to tame inflation swiftly will hurt the country's growth prospects in the medium to long term. One basis point is 0.01%.

Official data showed that core inflation, which excludes the volatile fuel and food prices, in May slowed to 6.07% from the previous month's high of 6.96%, and food inflation eased to 7.97% from 8.38% in April.

OPEN APP

However, the prices of many food items, including meat, fish, cereals, milk, and edible oil, rose in May from the previous month. The inflation index for vegetables registered a sharp jump from 166.2 in April to 174.9 in May, mainly owing to high tomato prices, which have soared to ₹80 per kg in certain parts of the country.

“The favourable base has masked a sequential rise in prices across categories. Core inflation also eased. However, it was still close to the 6% mark, indicating that inflation has become broad-based. With consumer inflation at elevated levels, households' inflationary expectations have been rising in recent months," CareEdge chief economist Rajani Sinha said.

SIMILAR STORIES

6.7% from its previous estimate of 5.7%. Economists feared that in the case of a protracted war in Europe, international crude oil prices would remain volatile and pose upside risks to RBI's inflation target.

India Ratings said that it expects monetary conditions to tighten further in FY2 OPEN APP RBI pursues its inflation-targeting agenda. However, a favourable base effect will start tapering off from June till November or December, but the impact of duty cuts, ban on wheat exports, and normal monsoon may provide some comfort on the inflationary front, the agency added.

Notably, rural inflation, which was faster than urban inflation in April, slowed in May compared to urban inflation. Rural inflation eased to 7.01% in April from 8.38% in April, while urban inflation remained nearly unchanged at 7.09%.

In a note, Morgan Stanley stated that it expects inflation to remain above the 6% mark through February and expects headline retail inflation to average 7% in FY23, faster than RBI's expectation of 6.7%.

mint

e-paper Sign in

HOME LATEST MARKETS PREMIUM FOR YOU

“On the policy front, we pencil in a further rate hike of 50 basis points at the August meeting, with the RBI aiming to reach the pre-pandemic policy rate. Thereafter, we expect successive repo rate hikes, taking the cumulative rate hike for FY23 to 225 bps as the policy rate touches 6.25%," it said.

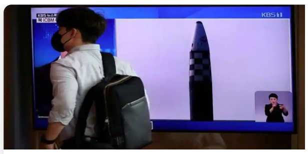
RECOMMENDED FOR YOU

OPEN APP


Confusion prevails over covid protocols as public fears wane


Quell inflation


Stocks tank amid global rout, rupee sinks to an all-time low


North Korea's missile tests cost up to $650 million: Report

Subscribe to **Mint Newsletters**

Enter email address Subscribe