

[Home](#) / [Business](#) / [Economy & Business](#) / Retail inflation eases to 7.04% in May

Retail inflation cools but remains much above RBI's comfort level

Experts see CPI inflation remaining sharply above RBI's upper tolerance limit in the next few months owing to elevated crude oil and commodity prices



Annapurna Singh, DHNS, New Delhi, JUN 13 2022, 17:37 IST | UPDATED: JUN 13 2022, 22:12 IST



Representative image. Credit: iStock Photo

Consecutive month.

That could prompt India's central bank, whose upper target for retail inflation is 6%, to further raise the key lending rate to cool down prices. Last week, the RBI increased the key rate by 50 basis points after inflation shot up to nearly 8 per cent in April.

"Commodity costs have been on the rise since the middle of 2021, leaving enterprises with no choice but to pass on the high price to end consumers. Policy outcome from the US Fed, inflation levels will guide the RBI policy going forward," said D R E. Reddy, CEO and Managing Partner, CRCL LLP.

Food inflation, which accounts for nearly half the consumer prices inflation basket, was at 7.97 per cent, mildly lower than 8.30 per cent in April. Vegetable prices rose over 18 per cent, compared with 15.4 per cent in April. A favourable base effect and lower fuel prices following the cut in excise duty last month helped pull down inflation in May.

Experts see CPI inflation remaining sharply above RBI's upper tolerance limit in the next few months owing to elevated crude oil and commodity prices.

"With consumer inflation at elevated levels, households' inflationary expectations have been on the rise in recent months. With a protracted war situation, international crude oil prices will likely remain volatile and hence pose upside risk to the projected inflation by the RBI," said Rajani Sinha, Chief Economist at CareEdge.

The Indian basket of crude has touched a 10-year high of \$121 per barrel.

Monday's report showed easing of inflation in rural areas to 7.01 per cent in May compared with 8.38 per cent a month before. Price pressure remained the same as last month in urban areas. The latest RBI forecast pegs inflation at 7.5 per cent in the April-June period of the current year.