

# Fact Sheet – Consumer Price Index June 2020



## CPI food inflation at 9.3 percent in May 2020

Month	General Index	Food and beverages	Pan, tobacco and intoxicants	Clothing & footwear	Housing	Fuel & light	Miscellaneous	Health
<b>Weight</b>	<b>100</b>	<b>45.9</b>	<b>2.4</b>	<b>6.5</b>	<b>10.1</b>	<b>6.8</b>	<b>28.3</b>	<b>5.9</b>
May-19	3.1	2.0	3.9	1.8	4.8	2.5	4.6	8.0
Jan-20	7.6	11.7	3.7	1.9	4.2	3.7	4.8	4.2
Feb-20	6.6	9.5	4.1	2.1	4.2	6.4	4.5	4.2
Mar-20	5.8	7.8	4.7	2.1	3.7	6.6	4.4	4.2
Apr-20	na	8.6	na	na	3.9	2.9	na	2.8
May-20	na	7.4	na	na	3.7	1.4	na	4.3

The Ministry of Statistics and Programme Implementation refrained from announcing the overall Consumer Price Index for the month of May 2020 - this is the second consecutive month when the inflation data has been put on hold.

The Ministry cited continuation of limited transactions of products in the market in the month of May 2020 - with transactions remaining largely focused on essential purchases - as the reason for release of only limited data. The CSO decided to release the Price Movement of Sub-groups/Groups of CPI, following the principles of adequacy as indicated in the CPI release for the month of April 2020 based on:

- The price of only those items were included which have been reported from at least 25% of markets, separately for Rural & Urban sector and constituted more than 70% weight of the respective Sub-groups/Groups.
- The all India indices were compiled using Direct Approach by considering a common market at the national level in both Rural & Urban sectors separately.

Price Movement for the sub-group 'Prepared meals, snacks, sweets etc.' under 'Food & Beverages' group as well as the group 'Clothing and Footwear' has not been compiled. Also, under 'Miscellaneous' group, only the index for 'Health' subgroup has been compiled for the month of May, 2020

### CPI – Key Sub-segment of Food & Beverages (% change Y-o-Y)

Month	Total Food Index	Cereals and products	Egg, fish and meat	Milk and products	Oils and fats	Fruits	Vegetables	Pulses and products	Sugar and condiments	Spices
<b>Weight</b>	<b>39.06</b>	<b>9.67</b>	<b>4.04</b>	<b>6.61</b>	<b>3.56</b>	<b>2.89</b>	<b>6.04</b>	<b>2.38</b>	<b>1.36</b>	<b>2.50</b>
May-19	1.8	1.2	7.5	0.3	0.8	-5.2	5.5	2.1	0.3	1.3
Jan-20	13.6	5.3	10.6	5.6	6.7	5.8	50.0	16.7	4.6	8.3
Feb-20	10.8	5.2	9.9	6.1	7.7	4.0	31.6	16.6	4.2	8.8
Mar-20	8.8	5.3	8.8	6.5	7.5	3.6	18.6	15.9	3.9	9.8
Apr-20	10.5	7.8	-2.9	9.4	10.8	2.7	23.6	22.8	10.3	12.8
May-20	9.3	7.5	15.3	8.9	12.0	2.1	5.3	21.1	6.1	12.6

The food segment continued to report elevated levels of inflation in the month of May 2020. The segment witnessed an inflation rate of 9.3 percent in May 2020, vis-a-vis 10.5 percent inflation noted in April 2020. Protein based segments reported a surge in prices during the month with eggs, fish and meat reporting an inflation rate of 15.3 percent and pulses and products reporting 21.1 percent inflation in May.

Pulses prices have witnessed an increase since the lockdown. With limited supply, high domestic demand and transportation disruption, reports suggest an increase of up to Rs 40-50/kg in prices of pulses. For instance, Arhar dal price has increased from Rs 90 a kilogram in February, 2020 to Rs 135-150 a kilogram. Urad dal that was selling for Rs 108 per kilogram on April 1, 2020 is priced at approximately Rs 122 a kilogram. Moong crop has been affected in parts of India due to erratic rains.

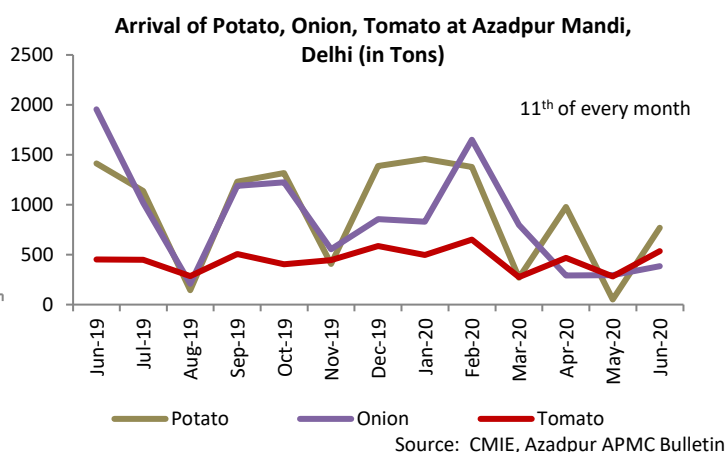
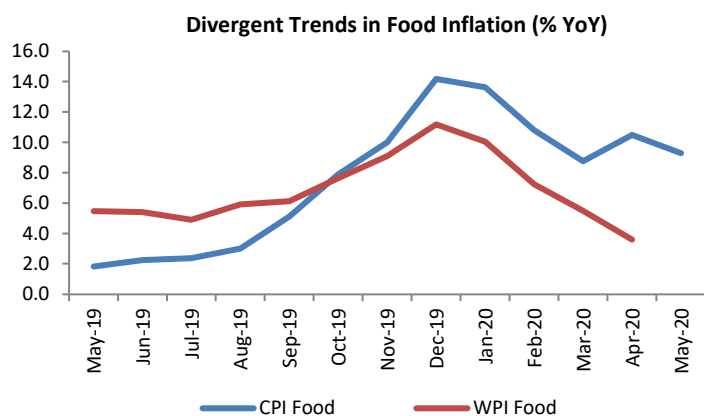
Milk and products segment also witnessed high inflation of 8.9 percent in May 2020. Reports suggest an increase in prices of dairy products by 10-15 percent. Also, the poultry industry which went through the worst time due to the pandemic is slowly getting back on its feet. The industry which witnessed losses worth crores of rupees is once again seeing a surge in sales. The sales have increased by about 60% in recent weeks. The price of chicken has moved to about Rs 280 per kg.

Vegetable prices, on the other hand, eased significantly reporting an increase of just 5.3 percent in May 2020 as compared to 23.6 percent in inflation reported in the previous month. Also, fruit prices registered an increase of 2.1 percent in May 2020, vis-a-vis 2.7 percent increase noted in April 2020. Demand for vegetables has been suppressed off late with bulk users like hotels and restaurants being adversely affected by the pandemic. Even household consumption of fruits and vegetables was impacted because of fear of catching the Covid-19 infection. The household demand has shifted more in favour of pulses.

Source: MOSPI, CMIE



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Also, trend in food prices have been clearly divergent between the wholesale and retail segments since the lockdown was imposed in the country indicating increased prices at the retail level given demand supply dynamics. Severe supply constraints during the initial days of the lockdown crippled the retail segments. This was also visible in the meager arrivals of major vegetables (potato, onion and tomato) at the Azadpur mandi in Delhi. However, with lockdowns being eased, some recovery is being in sight.

## RBI Consumer Confidence Survey, June 2020

### Percent of respondents who perceive spending to increase

	Current perceptions		One Year Ahead	
	Essential items	Non-essential Items	Essential items	Non-essential Items
May-19	80.0	32.7	80.7	39.4
Jul-19	81.7	31.0	82.9	36.2
Sep-19	83.8	29.9	83.0	34.7
Nov-19	83.6	27.5	83.0	33.4
Jan-20	85.3	28.0	83.7	34.3
Mar-20	83.0	27.7	82.1	32.4
May-20	69.3	13.9	73.0	22.0

## RBI Household Inflation Expectations Survey, June 2020

### Inflation Expectations Estimate

	Current Perception		Three Months ahead Expectation		One Year ahead Expectation	
	Mean	Median	Mean	Median	Mean	Median
	May-19	7.8	6.6	8.6	7.6	8.4
Nov-19	9.1	8.2	9.8	9.2	9.7	9.9
Jan-20	8.7	7.6	9.5	8.6	9.3	9.2
Mar-20	8.4	7.6	9.2	8.5	9.1	9
May-20	9.6	9.3	10.6	10.4	9.7	10.2

Source: RBI

As per RBI latest estimates, consumer sentiments have taken a beating in the month of May 2020 vis-à-vis March 2020. RBI's consumer confidence survey, June 2020 reveals a marked fall in the percent of respondents who perceived spending to increase in both essential (from 83% to 69.3%) as well as non-essential (from 27.7% to 13.9%) items.

Furthermore, May also witnessed a sharp increase in the inflation expectations of households. However, inflation expectations for three months ahead (up by 190 basis points) was way higher than those for a year ahead (which are up 120 basis points) implying softer inflation expectations in the second half of the fiscal year.

## Comments

The CPI inflation has been over the RBI's comfort zone since October last year. The last overall retail based inflation rate was reported at 5.8 percent in March 2020 with pressure primarily rising from the food and fuel segments. And since then the pandemic has caused considerable uncertainty - significantly accentuating the demand-supply dynamics because of the imposition of stringent restrictions.

With five phases of lockdown behind us and the economy gradually moving beyond just the essentials - the supply pressures seem to be softening in a phased manner. Even though the scope for uncertainty remains high, inflation is expected to tread at manageable levels. The demand pull on the inflation will remain passive given the expected decline in income levels and limited consumption spends.

Additionally, forecast of a normal monsoon, depressed international crude oil prices and soft global commodity prices bode well for keeping prices in check. Reserve Bank of India in its last monetary policy announced in May, 2020 expected headline inflation to be pulled down below target in Q3 and Q4 of 2020-21.



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Nonetheless, there have been reports of heavy unseasonal rains, especially in the six states Punjab, Haryana, Uttar Pradesh, Bihar, Madhya Pradesh and West Bengal, in the month of April/ May that has damaged and impacted the procurement of rabi produce. Moreover, the locusts attack in the end week of May 2020 destroyed about 50000 hectares of crop land with enormous damage to seasonal crops being reported by Rajasthan and Madhya Pradesh.

Given the grim forecast, inflation is not the primary concern at the moment. The Central Bank's undeterred focus to support growth and assurance that it will take all necessary steps to ensure enough buffer arising from the economic shock is much desirable.

