

### CPI inflation increases further to 5.5 percent in March 2021

Month	Weight	Mar-20	Feb-21	Mar-21	2019-20	2020-21
General Index	100	5.8	5.0	5.5	4.8	6.2
Food & beverages	45.86	7.8	4.3	5.2	6.0	7.3
Pan, tobacco & intoxicants	2.38	4.7	10.7	9.8	4.2	9.9
Clothing & footwear	6.53	2.1	4.2	4.4	1.6	3.4
Housing	10.07	3.7	3.2	3.5	4.5	3.3
Fuel & light	6.84	6.6	3.5	4.5	1.3	2.7
Miscellaneous	28.32	4.4	6.8	6.9	4.4	6.6

❖ Latest data on consumer price index (CPI) based inflation rate was released today by the Central Statistics Office. During the month of March 2021, NSO collected prices from 99.6 percent villages and 98.5 percent urban markets.

❖ As per the release, CPI based inflation stood at a four-month high of 5.5 percent in March 2021. The corresponding number previous month was 5.0 percent. While price pressures were felt across segments, higher prices in food & beverages and fuel & light segments were majorly responsible for the increase in overall price levels during the month.

❖ Inflation in the food & beverages segment, which accounts for 46 percent of the CPI index, continued to tread upwards in the month of March. Inflation was reported at four-month high of 5.2 percent in March 2021 as compared to 4.3 percent inflation noted in the previous month. While cereals and vegetables price indices remained in the contractionary zone, other major food items such as oils & fats (24.9 percent), meat & fish (15.1 percent), non-alcoholic beverages (14.4 percent), pulses & products (13.2 percent), and fruits (7.9 percent) recorded elevated prices during the month.

❖ In addition, prices of packaged food items as well as spices also remained at higher levels in March 2021. While inflation in the former segment stood at 5.4 percent, the latter recorded an inflation rate of 6.7 percent during the month.

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

Month	Food	Cereals and products	Meat & fish	Milk and products	Oils and fats	Fruits	Vegetables	Pulses and products	Sugar and condiments	Spices
Weight	39.06	9.67	4.04	6.61	3.56	2.89	6.04	2.38	1.36	2.50
Mar-20	8.8	5.3	9.2	6.5	7.5	3.6	18.6	15.9	3.9	9.8
Nov-20	9.5	2.5	17.0	5.0	17.9	0.2	15.5	18.1	1.0	10.9
Dec-20	3.4	1.0	15.2	3.9	20.1	2.7	-10.5	16.0	0.5	10.3
Jan-21	2.0	0.1	12.5	2.7	19.8	5.0	-15.8	13.3	-0.3	9.0
Feb-21	3.9	-0.4	11.5	2.6	20.9	6.0	-6.3	12.6	-0.7	8.0
Mar-21	4.9	-0.7	15.1	2.2	24.9	7.9	-4.8	13.3	-0.5	6.7

❖ Clothing & footwear segment recorded slightly higher inflation levels (4.4 percent in March 2021 versus 4.2 percent in February 2021). Housing segment, too, registered mild uptick in prices in the month of March 2021.

❖ Fuel & light segment also noticed an uptick as rising international crude oil prices has culminated into higher domestic household fuel prices. Essential energy sources including LPG, kerosene, diesel (excl conveyance) and other fuels witnessed elevated price levels in the month of March 2021. The rise in crude prices has disrupted consumer budgets as domestic pump prices broke record highs. This along with increase in prices of other household essentials has resulted in rise in inflation expectations. RBI's latest Household Inflation Expectations survey has revealed rise in inflation expectations of consumers at current, three month ahead and one year ahead period.

❖ Services inflation, as represented by the miscellaneous segment, continued to record high price levels in March 2021. Inflation in this segment was reported slightly higher at 6.9 percent in the month of March versus 6.8 percent inflation noted in the previous month. As a result, core inflation in the month of March ticked higher and was reported at 6.1 percent as compared to 6.0 percent noted in the previous month.

❖ On a cumulative basis, core inflation swelled and was reported at 5.5 percent in 2020-21 as compared to 3.8 percent inflation reported in the previous year. Headline inflation too shot up and settled above RBI's target range of 4 percent inflation (+/- 2 percent) during the year.

# Economy Fact Sheet – Consumer Price Index

## April 2021

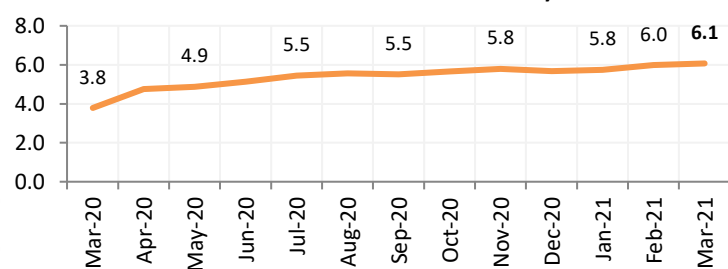
### Households' Inflation Expectations Survey, April 2021- Expectations for General Prices: % of respondents

Month	Respondents expecting prices to increase in the three-month ahead period to			Respondents expecting prices to increase in the one-year ahead period to		
	More than current rate	Similar to current rate	Less than current rate	More than current rate	Similar to current rate	Less than current rate
Mar-20	52.5	25.6	5.2	60.7	24.8	3.7
May-20	56.0	23.5	5.8	57.1	23.8	4.7
Jul-20	52.2	26.0	5.3	55.9	24.3	4.4
Sep-20	53.9	22.5	5.2	59.6	20.4	4.7
Nov-20	55.4	23.6	4.4	59.5	22.9	4.1
Jan-21	56.0	22.4	5.3	62.9	21.2	3.9
Mar-21	58.4	24.1	4.1	63.4	21.4	3.8

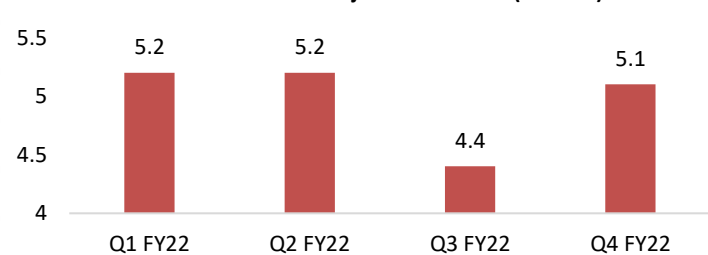
### Households' Inflation Expectations Survey, April 2021- Household Inflation Expectations

Month	Current perception of inflation rate (in %)	Inflation expectations three months ahead (in %)	Inflation expectations one year ahead (in %)
Mar-20	7.6	8.5	9
May-20	9.3	10.4	10.2
Jul-20	9.9	10.5	10.3
Sep-20	9.8	10.4	10.3
Nov-20	8.8	10.1	10.1
Jan-21	8.2	9.3	10.1
Mar-21	8.7	10.1	10.2

### Core Consumer Price Index: Growth: Y-o-y in %



### RBI's CPI Inflation Projection for FY22 (% Y-o-Y)



### Comments

Rising inflationary pressures over the past few months has risen as a primary macro economic concern; even though some pressure on inflation front arising out of various measures to boost the economy was largely anticipated. The Reserve Bank's outlook on inflation trajectory as indicated in the recently announced Monetary Policy was broadly in line with expectations. While inflation in Q4 of 2020-21 at 4.9 percent is sync with the 5.0% projection put out by the Central Bank, it is likely to firm up to 5.2% in the first two quarters of 2021-22 before easing to 4.4% in Q3 2021-22. However, inflation is projected to once again note a slight uptick in Q4 2021-22.

While a bumper harvest, both kharif and rabi, in 2020-21 along with reduction import duties of edible oils are expected to keep price pressures off essential commodities such as cereals, pulses and oil; ongoing rabi harvest arrivals will enhance overall supply of agriculture products including vegetables which will assist in easing inflationary pressures in the food segment. However, the near-term trajectory of food inflation will critically depend upon temporal and spatial progress of the south west monsoon.

On the other hand, increase in commodity prices and increased logistics cost is continuing to assert cost push pressures across manufacturing and services industry. Even though international crude oil prices are noticing some moderation as demand weakens, FICCI believes that both state and central government could still consider a reduction in taxes to wean off built up price pressure in this segment. Given the rising inflationary perceptions among households in the latest RBI survey, this move would offer some respite.

Source: MoSPI, RBI, CMIE, FICCI Research