

## **CPI update: June 2023**

**Core inflation remains capped at 5.20% on a YoY basis with alternate measures trending lower.**

**India's headline CPI inflation rises fast to 4.81% YoY in June after bottoming out at 4.31% in May.**

- A favorable base of 52 bps in Jun'23 more than offset by the 101 bps MoM rise thus taking headline inflation higher by 50 bps.
- MoM price increase was as follows; vegetables (12.2%), pulses (3.4%), eggs (5.5%), meat & fish (3.8%) and spices (2.3%) contributed to higher inflation although moderated by lower prices of gold (-1.5%) and silver (-1%). The two together make up ~1.2% by weight in the CPI basket and kerosene PDS (-2.7%).
- Core inflation capped at 5.2% by an elevated base in Transportation and was supported by lower Personal Care.
- May print revised upwards to 4.31% YoY from 4.25% (provisional) with increases in food (veges, pulses), education and personal care.

**Food inflation was up to 4.63% YoY in Jun'23 (May: 3.35%) on broad based increases across components except edible oils (high Ukraine war base) and fruits (mostly seasonal).**

- Vegetable prices were up 12.2% MoM in Jun'23 which was sharply higher than the 3.6% MoM increase seen in May'23. Prices of tomato was up 64% MoM, potato 11%, and onion 8%.
- A large chunk of the tomato price increase took place towards the month end with further increases likely to flow over to July as chances of price corrections are limited. This is due to the given heavy spells of rains in hilly regions in north and parts of southern peninsula where tomatoes are grown in the lean season.
- Cereals inflation remains elevated at 12.7% YoY on increases in rice, rice products, jowar, and wheat. Pulses inflation rose to 10.5% YoY on sharp MoM increases in tur followed by others including moong and urad.
- Spices inflation high at 19.2% YoY. Milk inflation also runs high at 8.6% YoY. Eggs inflation moved up to 7% YoY as prices rose 5.5% MoM on top of 2.2% MoM increase last month.

**Fuel and Light inflation lower at 3.9% YoY (May: 4.7% YoY) on supportive base effect and fall in kerosene prices.**

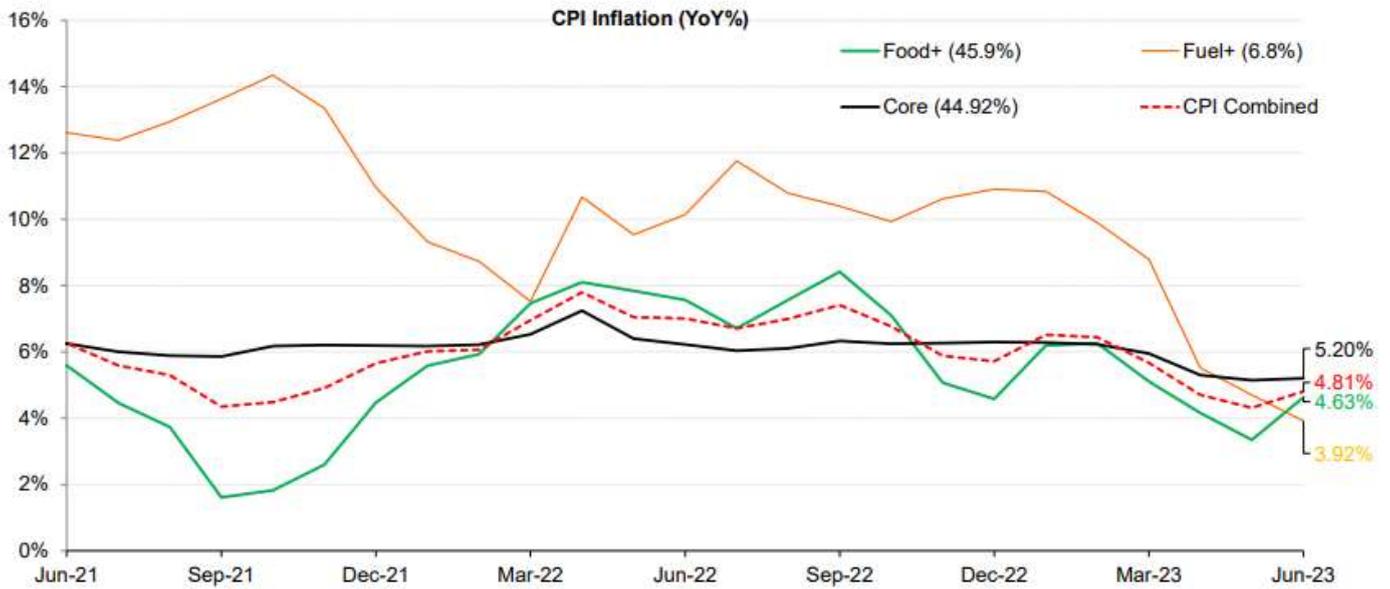
**Core inflation (ex food, fuel and pan) nearly flat at 5.20% YoY (May: 5.15%)**

- Within core inflation, all sub-segments except Transportation and Education witnessed fall in inflation.
- On MoM basis, Personal Care segment witnessed a fall which was driven by lower prices of gold and silver.
- Exclusion-based measures of core continued to trend lower. However, weighted median CPI moved up to 5.75% YoY from 5.55% in May.
- Inflation in items of core CPI basket witnessing >6% inflation fell further to 34% from 44% in May and from peak of 68% in Apr'22.

**Headline CPI inflation is expected to rise above 5% in July on higher vegetables spike in tomato prices and remain elevated for the rest of the year.**

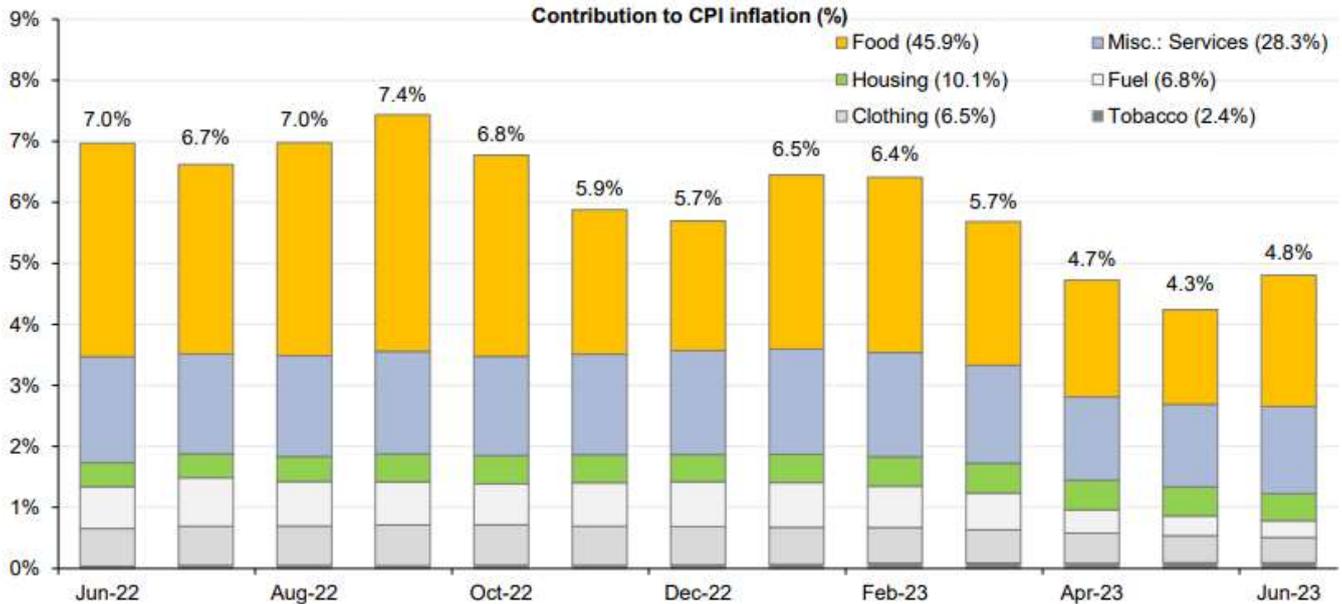
- With upside risks to inflation emanating from components of food already materialised, it needs to now be seen how the downside risks from global slowdown and cut in domestic retail fuel prices play out in the rest of the year.

### Jun'23 headline CPI rises to 4.81%YoY (May: 4.31%) on broad based increase across food segment



Source: Axis Bank Business and Economic Research Team

### Contribution of food to headline CPI rises significantly in June - seen in Services as well



Source: Axis Bank Business and Economic Research Team

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