

CPI INFLATION TOUCH 14 MONTH HIGH: RATE CUT CHANCES ARE NOW FADING FOR REST OF FY25

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India's inflation touched 6.2% in Oct'24, the highest in 14 months. We expect Nov'24 inflation numbers are likely to be closer to 5.3% and the average FY25 inflation numbers are now trending at 4.8%-4.9%, against RBI 4.5%. Inflation is only likely to dip from January onwards, but this will be driven by base effects. We are now less hopeful of a February rate cut. We believe the first rate cut is now effectively pushed back beyond Feb'25.

If we look the State-wise Inflation, inflation in bigger states continue to outstrip the all India inflation rate of the same month. Among the States, Chhattisgarh clocked the highest inflation rate of 8.8% in Oct, followed by Bihar at 7.9% and Odisha at 7.5%. Interestingly, a comparison of year on year changes and year to date changes reveal that year on year changes are far outpacing year to date changes. For example, there are 7 states, whose year-on-year inflation has crossed more than 2% in a year. These indicates that the momentum of food prices has continued to climb up.

The gap between urban and rural consumers' inflation trends was sharp for the 8th consecutive month, with rural households paying 1.07% higher than urban India. This is mainly due to the higher food prices and the rural basket of food items weight (54.2%) is higher than the urban weights (36.3%).

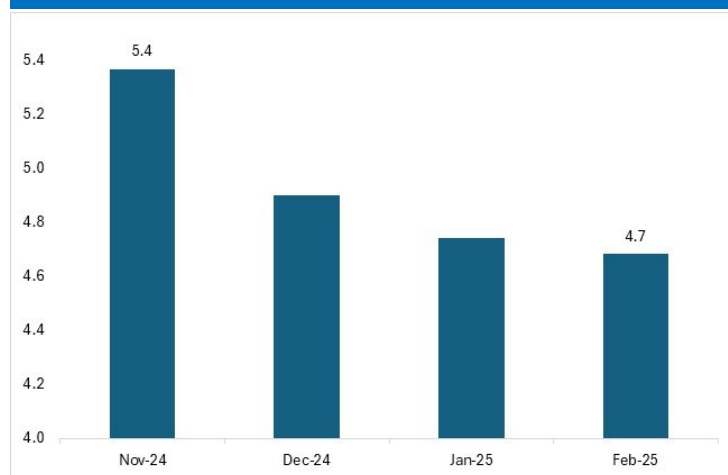
We believe that there will be some moderation in vegetable prices in month of November. The retail prices data till 11 Nov, indicate decline in vegetable prices. CPI headline inflation has peaked in Oct'24, but November and December numbers could still be higher than 5%.

With the currency market being subject to turbulence, we believe a higher inflation number could act as a blessing in disguise for RBI not to signal a rate easing cycle.

CPI INFLATION ROSE ABOVE 6%

- ◆ India's retail inflation increased to 14-months high of 6.21% in October 2024, from 5.5% in September, owing to rise in food prices. This is the third consecutive month that inflation is rising. From a level of 3.6% in July CPI inflation rose by 261 bps in last three months. Food and beverages inflation rose to 9.69% in Oct, from 8.36% in Sep. Within food, vegetable prices are still in double digits and rising sharply to reach level of 42.2% in Oct'24. Core CPI is also increased though moderately to 3.76% in Oct'24 as compared to 3.54% in Sep'24.
- ◆ With continuous moderation in fuel prices (fuel and light inflation is in negative territory for last 14 consecutive months), inflation is currently being driven by food price only. Looking ahead evolving food prices will determine domestic inflation. For the whole FY25, CPI inflation is likely to average to 4.8%, with an upward bias.

CPI inflation trajectory (%)



Source: SBI Research

CPI FOOD INFLATION

- ◆ Food inflation continues to be the bugbear. From merely 10.75% in Aug'24, the vegetable inflation increased to 42.2% in Oct'24.
- ◆ Component wise contribution to YoY food inflation reveals that – vegetables is the biggest contributor to food inflation, both YoY and MoM. However, 'cereal and products' has contributed more to YoY change, while 'Oils and fats' accounts for bigger proportion of MoM change in Oct'24
- ◆ We believe that there will be some moderation in vegetable prices in month of November. The retail prices data till 11 Nov, indicate decline in vegetable prices.

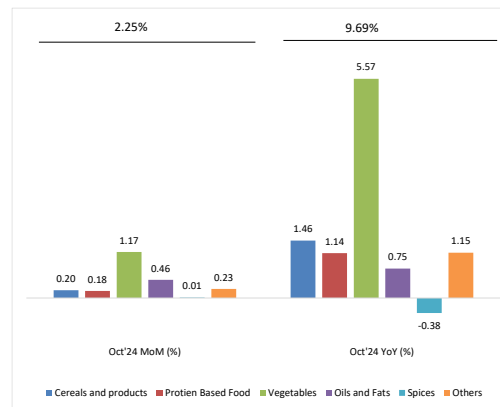
CPI INFLATION INCREASED ACROSSED STATES

- ◆ If we look the State-wise Inflation, inflation in bigger states continue to outstrip the all India inflation rate of the same month. Among the States, Chhattisgarh clocked the highest inflation rate of 8.8% in Oct, followed by Bihar at 7.9% and Odisha at 7.5%.
- ◆ A comparison of year on year changes and year to date changes reveal that year on year changes are outpacing year to date changes. For example, there are 7 states, whose year-on year inflation has crossed more than 2% in a year. Only in Telangana the change in inflation has declined since April 2024 but increased marginally compared to October 2023.
- ◆ The gap between urban and rural consumers' inflation trends was sharp for the 8th consecutive month, with rural households paying 1.07% higher than urban India. This is mainly due to the higher food prices and the rural basket of food items weight (54.2%) is higher than the urban weights (36.3%).
- ◆ While urban inflation increased more in Sep'24 yoy, in Oct'24 rural inflation rose by 0.82% yoy which is higher than the rise in urban inflation.

IIP RECORDED GROWTH OF 3.1%

- ◆ IIP grew by 3.1% in Sep'24 after witnessing a contraction of 0.1% in Aug'24. Mining, Manufacturing and Electricity grew by 0.2 %, 3.9 % and 0.5% respectively.
- ◆ Consumer non durables rose by 2.7% in Sep'24 after falling by 3.5% in Aug'24. This indicates that rural demand has showed continued momentum.

Contribution of Components to CPI Food Inflation



Source: SBI Research

Retail Food prices MoM Change(%)				
Month	Vegetable (TOP)	Cereals	Pulses	Oil & Fat
Apr-24	4.3	0.0	0.7	0.2
May-24	4.1	0.2	1.7	-0.1
Jun-24	16.6	0.6	2.6	0.4
Jul-24	29.4	-0.4	1.9	-0.3
Aug-24	-7.3	-1.7	-1.2	-2.2
Sep-24	0.6	-0.4	-0.5	1.7
Oct-24	13.5	0.6	0.0	8.6
Nov-24	-2.4	0.2	0.0	0.8

Source: SBI Research, DCA, Nov 24 till 11 Nov average

State-Wise Inflation Rates				
YoY%	Oct-23	Oct-24	Change (% points)	Oct over Apr (% Change)
Andhra Pradesh	4.7	6.2	1.5	0.6
Assam	4.8	5.8	1.0	0.1
Bihar	5.6	7.9	2.3	2.7
Chhattisgarh	2.4	8.8	6.4	3.1
Delhi	2.5	4.0	1.5	1.8
Goa	3.0	4.7	1.6	3.2
Gujarat	5.3	6.3	1.0	1.9
Haryana	6.0	6.8	0.7	1.1
Himachal Pradesh	4.1	5.8	1.7	1.5
Jammu and Kashmir	3.5	5.5	2.0	1.5
Jharkhand	4.8	5.5	0.7	1.6
Karnataka	5.6	5.9	0.3	0.4
Kerala	4.3	6.5	2.3	1.2
Madhya Pradesh	4.0	7.0	3.0	1.7
Maharashtra	4.8	5.4	0.5	1.6
Odisha	6.5	7.5	1.0	0.4
Punjab	5.4	5.8	0.4	1.8
Rajasthan	6.3	6.0	-0.3	0.6
Tamil Nadu	4.0	6.3	2.3	1.4
Telangana	5.4	5.5	0.1	-0.2
Uttar Pradesh	5.1	7.4	2.3	1.8
Uttarakhand	4.6	6.3	1.7	2.7
West Bengal	4.4	4.6	0.2	1.1
All India	4.9	6.2	1.3	1.4

Source: SBI Research

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