

CPI Update

June 2013



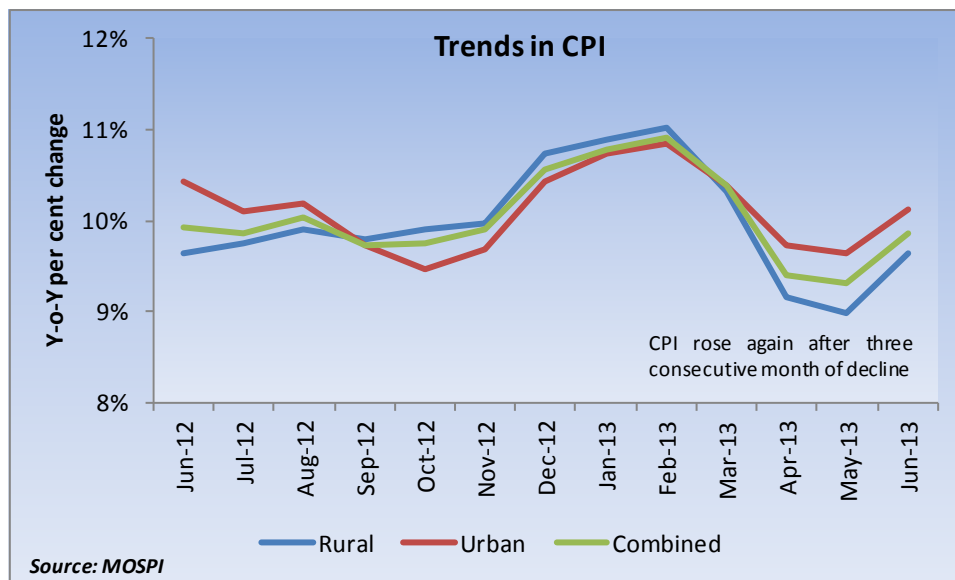
CPI INFLATION UPDATE

June 2013

CPI inflation moved up after 3 consecutive months of decline

- ✚ The annual inflation rate based on Consumer Price Index (CPI) stood at 9.87% in June against last month's figure of 9.31% and same period last year's figure of 9.93%. Retail inflation rose in June after three consecutive months of decline. Food prices rose an annual 11.84% in June, faster than an annual rise of 10.65% in May.
- ✚ Rural CPI inflation stood at 9.63% in June against last month's figure of 8.98% and same period last year's figure of 9.65%.
- ✚ Urban CPI inflation stood at 10.13% in June compared to 9.65% recorded in the previous month and 10.44% last year.
- ✚ CPI inflation for the month of July 2013 will be released on August 12, 2013.

The graph of CPI-based inflation is presented below:



Category-wise CPI inflation

Combined CPI

The Combined CPI stood at 9.87% in June compared to 9.31% in the previous month. The Combined CPI reversed the trend after three consecutive months of decline.

Urban CPI

Urban CPI inflation inched up to 10.13% in June compared to 9.65% last month and 10.44% recorded in the same period last year. Urban inflation moved back to double digit after three months of fall.

Rural CPI

Rural CPI inflation stood at 8.63% during the month under review against last month's figure of 8.98%.

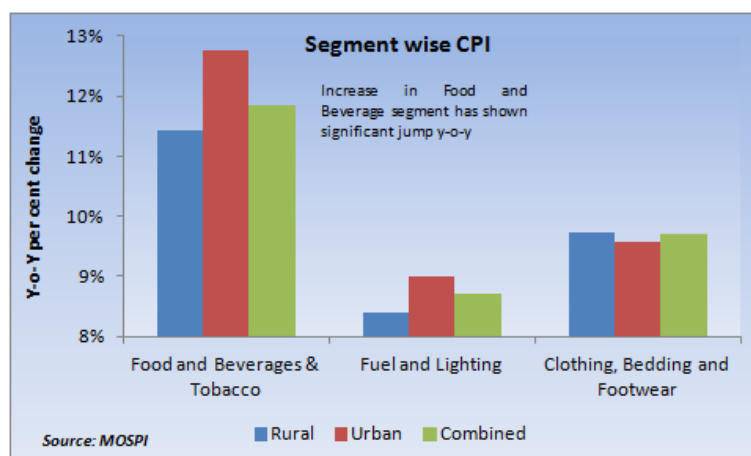
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Segment wise CPI inflation

Food and Beverages & Tobacco:

Food prices for consumers rose an annual 11.84% in June, faster than an annual rise of 10.65% recorded in May. Cereals were the worst affected as the inflation rate stood at 17.59% compared to 16.29% in May. Vegetable prices rose by 14.55% in June over the year-ago period. Protein-rich items like egg, fish and meat too were dearer in June though rates of pulses and related products eased to some extent. Adverse weather conditions led to supply disruptions and resulted in price rise of perishable food items in some regions of the country.



Fuel and Lighting:

Fuel inflation reported an increase of 8.72% over the year as petrol and diesel prices were increased last month. The increase has been steep in urban areas, where fuel inflation rose by 9% on a year-on-year (Y-o-Y) basis.

Clothing, Bedding and Footwear:

Clothing, Bedding and Footwear registered a yearly growth of 9.71% against 9.72% in the last month. Prices for Clothing, Bedding and Footwear rose by 9.58% on a Y-o-Y basis in urban region compared to increase of 9.76% in the rural region.

Housing:

Housing inflation rose by 10.72% on a Y-o-Y basis in June compared to 10.67% Y-o-Y rise in May.

Category (Inflation level Y-o-Y)	Combined		Urban		Rural	
	Jun-13	May-13	Jun-13	May-13	Jun-13	May-13
Food, Beverages & Tobacco	11.84	10.71	12.75	11.55	11.44	10.29
Fuel and Light	8.72	8.55	9.00	9.06	8.41	8.24
Clothing, Bedding and Footwear	9.72	9.72	9.58	9.65	9.76	9.76
Housing	10.72	10.67	10.72	10.67	-	-
Miscl.	6.17	6.14	6.36	6.52	5.99	5.88
General Index (All groups)	9.87	9.31	10.13	9.65	9.63	8.98

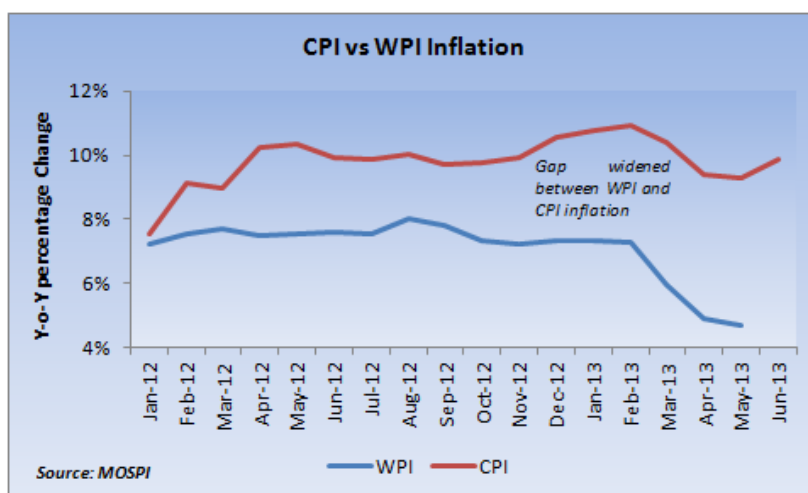
Source: MOSPI

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CPI & WPI

Both CPI and Wholesale Price Index (WPI)-based inflation continued with the downtrend from March to May this year. The CPI for June increased to 9.87% against 9.31% recorded in May, although data for WPI inflation for the month of June is yet to be released. With this trend reversal in retail inflation, market participants will closely track the WPI inflation numbers, due to be released on July 15, 2013.



Outlook:

The CPI inflation numbers reversed the declining trend witnessed in the past three months and stood at 9.87% in June. Prices of fruits and vegetables witnessed a significant rise. Since these items are perishable, a slight delay in supply leads to an immediate rise in prices. High prices of vegetables and weakness in the domestic currency may adversely impact the WPI numbers as well. The RBI will closely track the WPI inflation data before taking any decision on interest rate front. Rising food prices and a weak rupee may make it difficult for the RBI to lower interest rates at its upcoming monetary policy review.

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