

CONSUMER PRICE INDEX

CPI inflation expectedly cooled to 5.5% in November 2024; rate cut in February 2025 likely if December CPI print eases to 5.0% or lower

DECEMBER 2024





Click to Provide Feedback

CPI inflation cooled to 5.5% in November 2024 from 6.2% in October 2024, in line with ICRA's forecast.

Core inflation eased marginally after a gap of two months.

A favourable base, kharif arrivals and early trends for food prices point to a dip in CPI inflation to 5.1% in Dec 2024.

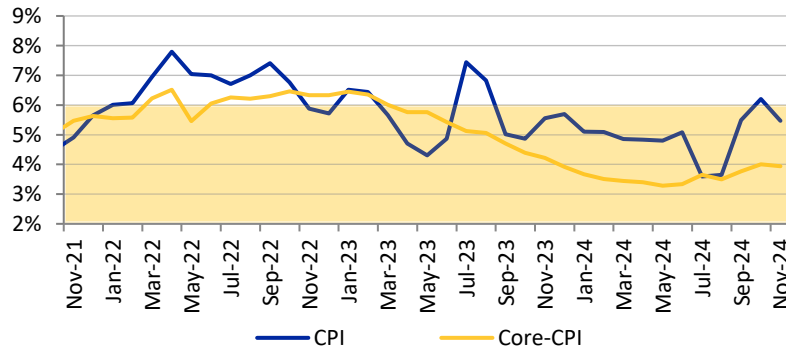
Odds of a rate cut in February 2025 would rise if December 2024 CPI print falls to 5.0% or lower

The year-on-year (YoY) CPI inflation expectedly receded to 5.5% in November 2024 from 6.2% in October 2024, reverting within the Monetary Policy Committee (MPC's) medium-term target range of 2-6%. The YoY softening was predominantly driven by the food and beverage segment, while core inflation eased after a gap of two months, albeit marginally. Looking ahead, the CPI inflation is projected to dip further to 5.1% in December 2024, aided by the favourable base as well as the fresh arrival of kharif crops in the month. ICRA believes that if the December 2024 CPI print falls to 5.0% or lower, the possibility of a rate cut by the MPC in the February 2025 policy would be very high. We maintain our baseline expectation of two rate cuts of 25 bps each in the much-awaited easing cycle.

- **CPI inflation cooled to 5.5% in November 2024:** In line with ICRA's forecast, the YoY headline CPI inflation receded appreciably to 5.5% in November 2024 (+5.6% in November 2023) from 14-month high of 6.2% in October 2024 (+4.9% in October 2023), falling back within the MPC's medium-term target range of 2-6% and offering a dose of relief. As much as 69 bps of the YoY moderation of 73 bps in the headline numbers between November 2024 and October 2024 stemmed from food and beverages. In sequential terms, the food and beverages index fell after a gap of nine months, by 0.5% in November 2024, in contrast with the rise of 0.9% in November 2023, led by vegetables (-4.6% vs. +5.0%), pulses and products (-0.2% vs. +1.6%), and fruits (-1.1% vs. -0.4%).
- **ICRA estimates CPI inflation to ease to 5.1% in December 2024:** As per the early data for December 2024 (until December 11, 2024), the average retail prices of as many as 13 of the 22 essential commodities (rice, most pulses, sugar, onion and tomato) softened sequentially in the month. ICRA estimates the headline CPI inflation to dip further to ~5.1% in December 2024 from 5.5% in November 2024, amid a likely fall in the food and beverages inflation print, supported by a favorable base as well as the fresh arrival of kharif crops in December 2024.
- **CPI print of 5.0% or lower in December 2024 would boost the odds of a rate cut in February 2025 policy:** If the headline CPI inflation eases to 5.0% or lower by December 2024, the likelihood of a rate cut by the MPC in its February 2025 meeting would be very high. We maintain our baseline expectation of two rate cuts of 25 bps each in the awaited rate easing cycle.

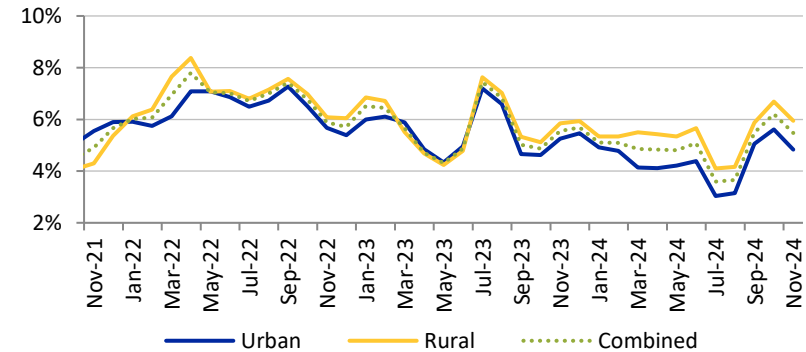
CPI inflation eased to 5.5% in November 2024 from 6.2% in October 2024, printing in line with ICRA's forecast for the month

EXHIBIT: Headline and Core CPI Inflation (YoY)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Rural and Urban CPI Inflation (YoY)

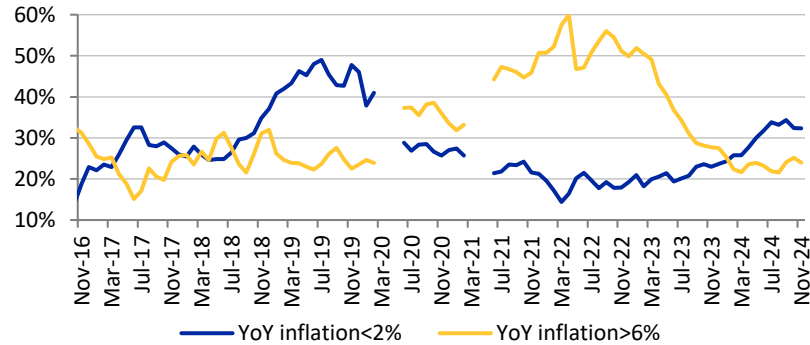


Source: NSO; CEIC; ICRA Research

- In line with our forecast, the YoY headline CPI inflation receded appreciably to 5.5% in November 2024 (+5.6% in November 2023) from 14-month high of 6.2% in October 2024 (+4.9% in October 2023), falling back within the MPC's medium term target range of 2-6%.
- After a gap of two months, the core-CPI inflation (CPI excluding food and beverages, fuel and light, and petrol and diesel indices for vehicles) eased, albeit only marginally to 3.9% in November 2024 from the 11-month high 4.0% in October 2024. The wedge between the headline and the core-CPI inflation narrowed to 153 bps from 220 bps, respectively.
- The CPI inflation in urban areas witnessed a slightly steeper moderation (to +4.8% from +5.6%) in November 2024 compared to October 2024, vis-à-vis that in rural areas (to +6.0% from +6.7%), driven by the food and beverages and pan, tobacco and intoxicants segments.
- On a sequential basis, the CPI has fallen after a gap of nine months, by 0.2% in November 2024, as against the uptick of 0.5% in the year-ago month, largely driven by food and beverages (-0.5% in November 2024 vs. +0.9% in November 2023), and miscellaneous items (+0.2% vs. +0.3%).

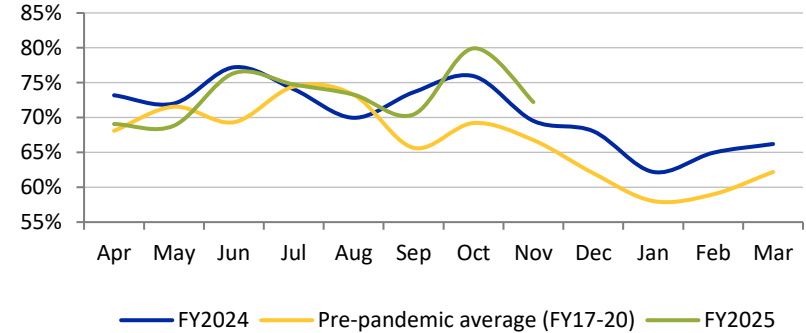
Share of items in CPI basket that witnessed a sequential rise in prices declined materially in November 2024

EXHIBIT: Share of items in the CPI* with YoY inflation outside the MPC's target range of 2.0-6.0% (%)



**Based on the 299 items covered in the CPI basket; Source: NSO; CEIC; ICRA Research*

EXHIBIT: Share of items in the CPI basket* reporting a sequential increase in prices (%)

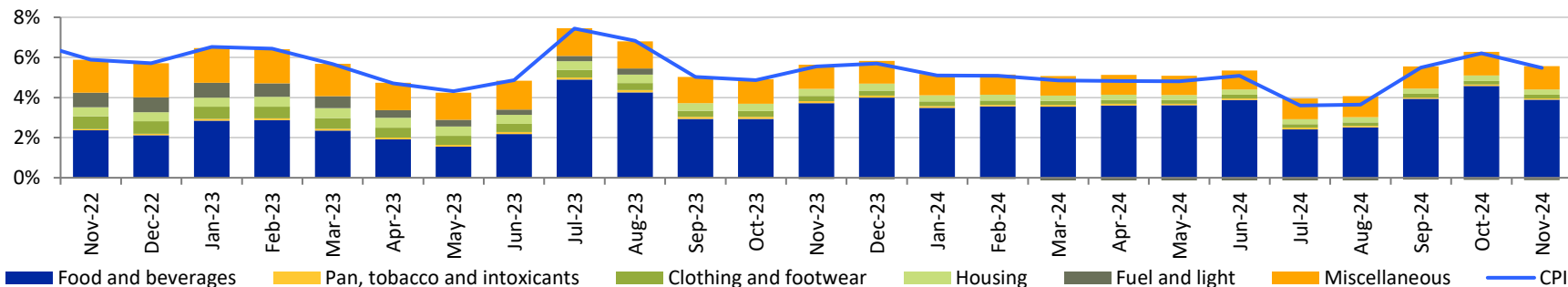


**Based on the 299 items covered in the CPI basket; Source: NSO; CEIC; ICRA Research*

- The share of items in the CPI basket that witnessed a sequential increase in prices declined materially to 72.2% in November 2024 from ~80% in October 2024. However, this remained above the pre-pandemic levels for the third consecutive month (FY2017-20 for November: 66.8%, October: 69.2%) in November 2024.
- In addition, the share of items in the CPI basket that reported a YoY inflation below the 2.0% mark remain unchanged at ~32% in November 2024, in line with the level seen in October 2024. Besides, the share of items that reported a YoY inflation rate above the MPC's upper limit of 6.0% eased between these months (to +24.0% from 25.2%, respectively).

Food and beverages accounted for 69 bps of the 73-bps uptick in CPI inflation in November 2024 vis-à-vis October 2024

EXHIBIT: Composition of CPI Inflation (YoY)

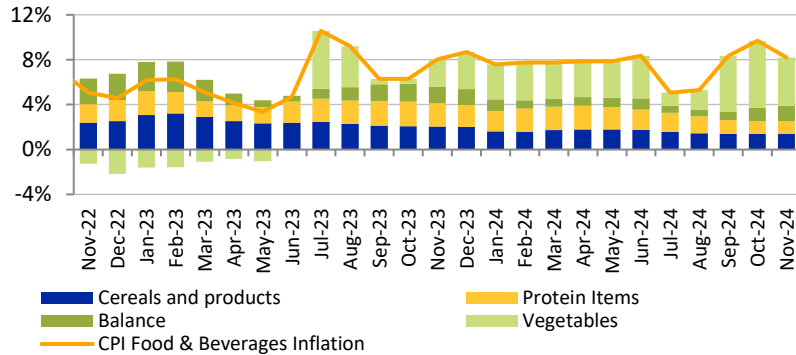


Source: NSO; CEIC; ICRA Research

- The steep moderation in the headline inflation in November 2024 compared to the prior month was largely driven by food and beverages (to a three-month low +8.2% from +9.7%), followed by milder easing in pan, tobacco and intoxicants (to +2.3% from +2.5%), fuel and light (to -1.8% from -1.7%), and miscellaneous items (to +4.26% from +4.32%).
- However, the YoY inflation for housing (to +2.9% from +2.8%), and clothing and footwear (to +2.75% from +2.70%) rose slightly in November 2024, compared to the previous month.
- **Of the 73 bps hardening in YoY CPI inflation between October 2024 and November 2024, as much as 69 bps was on account of the food and beverage segment, followed by 2 bps from the miscellaneous items, and 1 bp in fuel and light.**

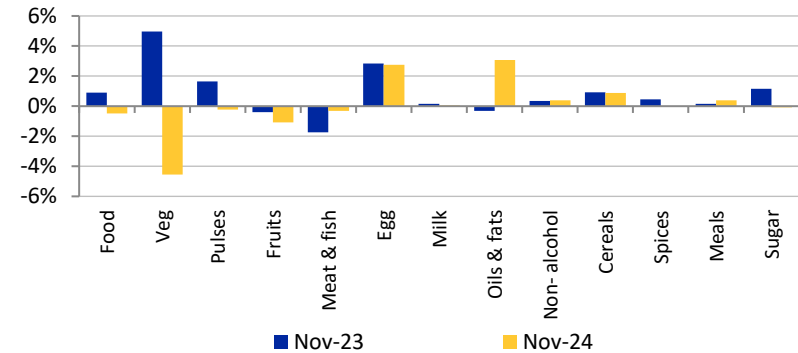
Food and beverages inflation cooled to a three-month low of 8.2% in November 2024, led by vegetables and pulses

EXHIBIT: Composition of Food and Beverages Inflation (YoY)



Proteins comprises meat and fish, egg, milk and products, pulses and products; Balance comprises oil and fats, fruits, sugar and confectionary, spices, non- alcoholic beverages, prepared meals, snacks, sweets etc.; Source: NSO; CEIC; ICRA Research

EXHIBIT: MoM Change in Food and Beverage Sub-Index

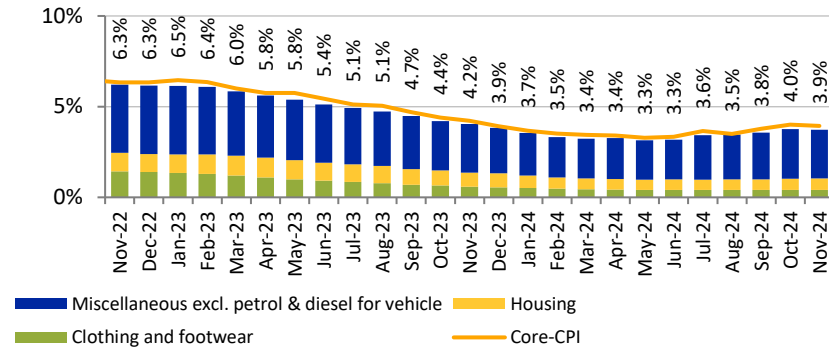


Food: Food & Beverages; Veg: Vegetables; Pulses: Pulses & products; Milk: Milk & products; Cereals: Cereals & products; Non- alcohol: Non- alcoholic beverages; Meals; Prepared meals & snacks; Source: NSO; CEIC; ICRA Research

- The inflation in food and beverages (with a weight of 45.9% in the CPI) declined to 8.2% in November 2024 from an eye-watering 9.7% in the prior month, aided by the fall in prints for eight of the 12 food groups. Vegetables inflation softened sharply to 29.3% in November 2024 from 57-month high of 42.2% in October 2024 (led by correction in prices of onion and tomato, as well as easing in ginger, green chilly, beans, etc.), while printing slightly higher than our expectations.
- Besides vegetables, the softer inflation prints were reported for pulses and products (to +5.4% from +7.4%), sugar and confectionary (to +1.3% from +2.6%) and fruits (to +7.7% from +8.8%) in November 2024 vis-à-vis October 2024, while the deflation widened for spices (to -7.4% from -7.0%) between these months.
- However, oils and fats (to a 31-month high +13.3% from +9.6%), meat and fish (to +4.7% from +3.2%), non-alcoholic beverages (to +2.72% from +2.67%) and prepared snacks, meals, sweets, etc. (to +3.9% from +3.7%) saw an uptick in their YoY inflation rates in November 2024, compared to the prior month.
- In MoM terms, the food and beverages index fell by 0.5% in November 2024, in contrast with the rise of 0.9% in November 2023, led by softening in vegetables (-4.6% vs. +5.0%), fruits (-1.1% vs. -0.4%) and pulses and products (-0.2% vs. +1.6%).

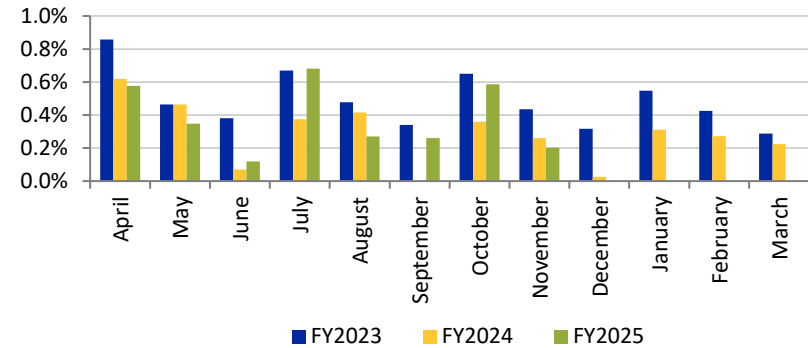
Core-CPI inflation eased marginally to 3.9% in November 2024; expected to inch up in the remaining part of the fiscal

EXHIBIT: Composition of core Inflation (YoY)



Source: NSO; CEIC; ICRA Research

EXHIBIT: MoM trends in core inflation

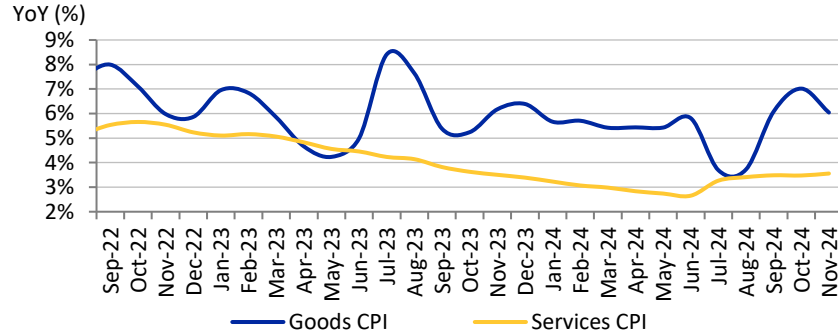


Source: NSO; CEIC; ICRA Research

- The core-CPI inflation eased slightly to 3.9% in November 2024 from 4.0% in October 2024, on account of miscellaneous items, barring petrol and diesel for vehicles (to +4.7% in November 2024 from +4.8% in October 2024), and pan, tobacco and intoxicants (to +2.3% from +2.5%). **The core inflation print had bottomed out at ~3.3% in May-June 2024 before rising continuously thereafter; ICRA expects the core inflation readings to inch up further through the remaining part of the fiscal, partly owing to an unfavourable base.**
- The YoY inflation for a stricter measure of core-CPI, computed as CPI excluding food and beverages, fuel and light, petrol and diesel indices for vehicles, and gold, remained unchanged at 3.3% in November 2024 as compared to the previous month. The uptick in this metric over the past six months has been relatively benign, as compared to that seen in the core-CPI inflation prints.
- In sequential terms, the core-CPI rose by 0.2% in November 2024 as against 0.3% seen in November 2023. This was led by the muted MoM momentum for miscellaneous items, excluding petrol and diesel indices for vehicles (+0.2% vs +0.3%).

Divergent trend witnessed in goods vs. services CPI inflation in November 2024, compared to October 2024

EXHIBIT: YoY Trends in Goods and Services CPI



Services items constitute to 23.4% weight in the CPI basket; Source: NSO; CEIC; ICRA Research

EXHIBIT: YoY Trends in services – top 5 items by weight

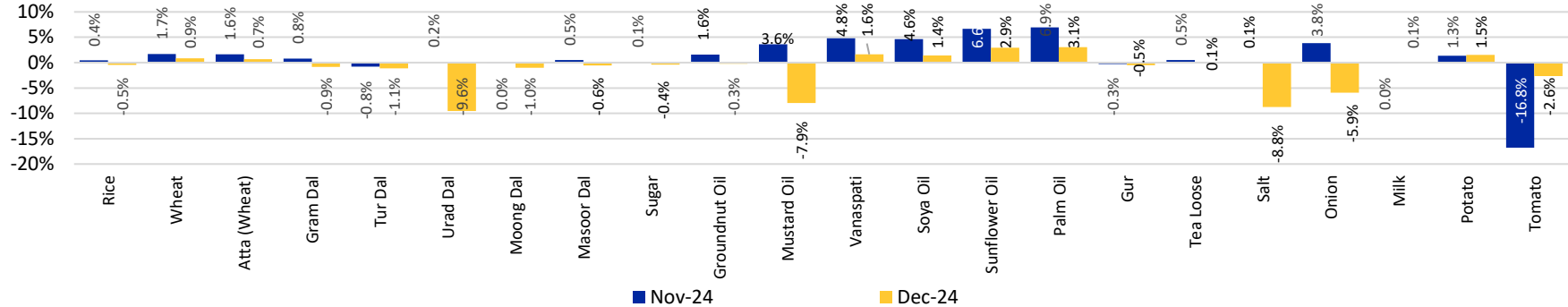
Services item	Weight in CPI	YoY (%)		
		Sep 2024	Oct 2024	Nov 2024
House rent, garage rent	9.51	2.6%	2.7%	2.7%
Tuition and other fees	2.90	4.4%	4.5%	4.6%
Telephone charges: mobile	1.84	10.3%	10.2%	10.3%
Bus/tram fare	1.37	0.8%	0.8%	0.7%
Cable TV connection charges	0.82	2.7%	2.7%	3.0%

Source: NSO; CEIC; ICRA Research

- In terms of a services vs. goods approach to assessing the CPI, the services inflation (with a weight of 23.4% in the CPI) inched up to a 13-month high of 3.6% in November 2024 (+3.5% in November 2023) from 3.5% in October 2024 (+3.6% in October 2023). Interestingly, 18 of the 34 services items covered in the CPI basket (with a lower weight of 10.1% in the CPI) witnessed a higher inflation between these months. Notably, the inflation for house and garage rent, that constitutes the highest weight in the services CPI remained unchanged at 2.7% in November 2024 as compared to the previous month.
- In contrast, the inflation in the goods segment (with a weight of 76.6% in the CPI) declined sharply to a three-month low of 6.0% in November 2024 from 7.0% in October 2024, largely led by food and beverages group (weight: 45.9%; to +8.2% from +9.7%). The inflation in goods excluding food and beverages also eased marginally between these months (to +2.6% in November 2024 from +2.8% in October 2024).

OUTLOOK: CPI inflation to ease to ~5.1% in December 2024, amid continued softening in food inflation

EXHIBIT: MoM trends in retail prices in November 2024 and December 2024*

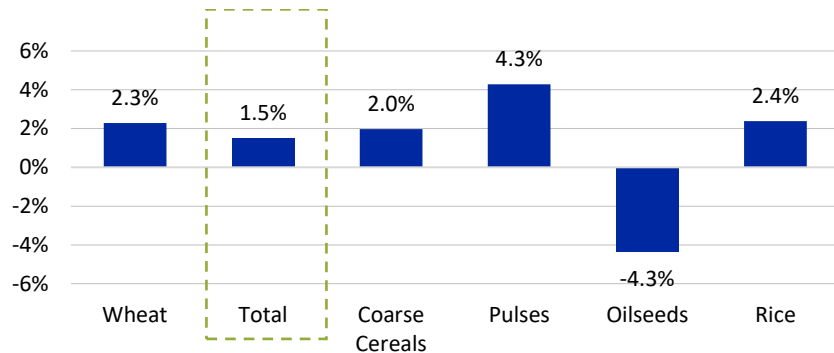


*Till December 11, 2024; Source: DCA; CEIC; ICRA Research

- As per the early data for December 2024 (until December 11, 2024), the average retail prices of as many as 13 of the 22 essential commodities (barring wheat, milk, most edible oils and potato) softened sequentially in the month. These include rice, most pulses, sugar, onion and tomato, with the latter two moderating to a three-month low of Rs. 53.0/kg (-5.9% MoM) and Rs. 51.8/ kg (-2.6% MoM) respectively, while remaining elevated.
- In contrast, prices of most edible oil inched up further in December 2024 so far (fourth consecutive month of an uptick owing to the import duty hike on most varieties from mid-September 2024). Additionally, potato prices surged to a 49-month high of Rs. 37.86/kg (vs. Rs. 37.29/kg in Nov 2024; Rs. 24.0/kg in Dec 2023), with low yields affecting crop arrivals for the vegetable.
- Only nine of the 22 commodities displayed a lower MoM inflation in December 2024 vis-à-vis December 2023. Likewise, the same set of nine items reported an easing in their YoY inflation rates in December 2024 (till Dec 11, 2024) vs. November 2024, including rice, pulses, sugar, and salt.
- ICRA estimates the headline CPI inflation to soften further to ~5.1% in December 2024 from 5.5% in November 2024, amid a continued dip in the food and beverages inflation print between these months, supported by a favorable base as well as the fresh arrivals of kharif crops in December 2024.**

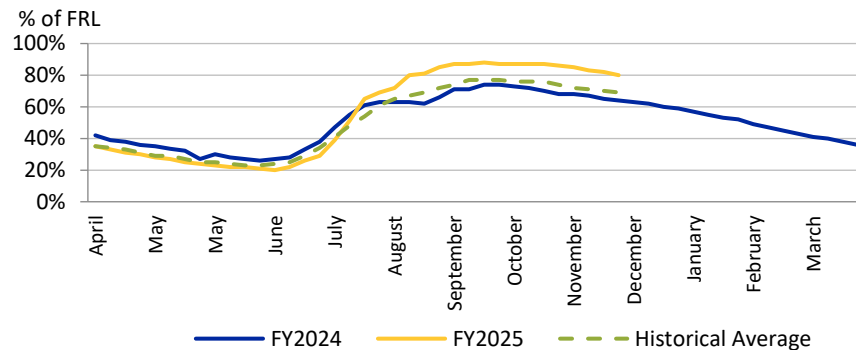
OUTLOOK: Rabi sowing up 1.5% YoY in December 2024 so far, aided by elevated reservoir levels and favorable weather conditions

EXHIBIT: Trends in rabi sowing (% YoY) as on December 9, 2024



Source: Ministry of Agriculture and Farmers Welfare; ICRA Research

EXHIBIT: Reservoir storage levels as percentage of Live Capacity at Full Reservoir Level (FRL)

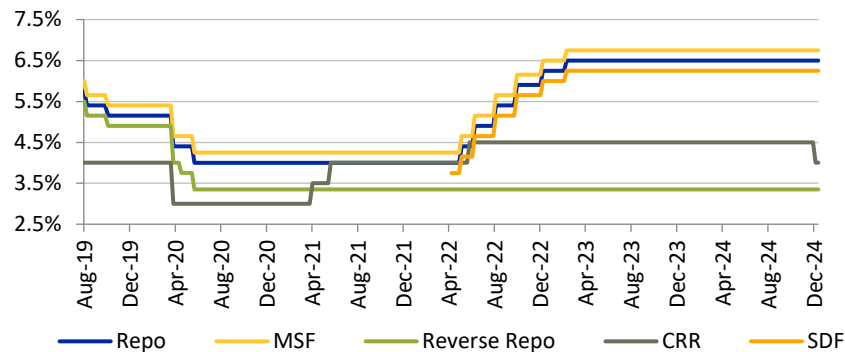


Source: Central Water Commission (CWC); CEIC; ICRA Research

- The all-India reservoir storage stood higher at 80% of the live capacity at full reservoir level (FRL) as on December 5, 2024, while also exceeding the year ago (64%) and historical (69%) levels.
- The cumulative sowing of rabi crops exceeded the year-ago levels by 1.5% YoY by December 9, 2024, led by pulses (+4.3%; driven by gram), rice (+2.4%), wheat (+2.3%), and coarse cereals (+2.0%, mainly led by jowar). In contrast, the sowing for oilseeds contracted by 4.3% YoY, owing to shortfall in rapeseed and mustard, groundnut, sesamum etc. **Notwithstanding the early trends for sowing, ICRA remains optimistic about the rabi crop, considering the favourable impact of high reservoir storage and the ensuing La Nina conditions on sowing and crop yields, even as the low inventory levels of DAP pose a concern.**
- The robust kharif foodgrain production (+5.7% YoY to a record 164.7 million tonne; MT), led by rice (record: 119.9 MT, +5.9%YoY) and coarse cereals (record: 37.8 MT; +6.4% YoY) as per the First AE for kharif output AY 2024-25 over the final estimates for AY 2023-24, should help ease inflationary pressures in the near term, amid the arrival of these crops in the market from December 2024 onwards. Additionally, the upbeat outlook for rabi crops also augurs well for food inflation.

OUTLOOK: A CPI print of 5.0% or lower in December 2024 would push up likelihood of a rate cut in February 2025 policy

EXHIBIT: Movement in Key Rates



Source: RBI; CEIC; ICRA Research

EXHIBIT: RBI's GDP growth and CPI inflation forecasts

MPC Policy Reviews	YoY (%)		GDP Growth (at constant 2011-12 prices)	
	October 2024	December 2024	October 2024	December 2024
Q3 FY2025	4.8%	5.7%	7.4%	6.8%
Q4 FY2025	4.2%	4.5%	7.4%	7.2%
FY2025	4.5%	4.8%	7.2%	6.6%
Q1 FY2026	4.3%	4.6%	7.3%	6.9%
Q2 FY2026		4.0%		7.3%

Source: RBI; ICRA Research

- The Monetary Policy Committee (MPC) expectedly kept the policy repo rate unchanged, although the voting pattern changed to 4:2 from 5:1 in October 2024, with an additional external member voting for a rate cut. Besides, it pared the FY2025 GDP growth forecast to 6.6% (ICRA est.: +6.5%) from the 7.2% indicated earlier, while raising the CPI inflation projection by 30 bps to 4.8%, in line with ICRA's estimate for the fiscal.
- Additionally, the Committee announced a CRR cut of 50 bps to 4.0% of the net demand and time liabilities, in a staggered manner, which would lead to durable liquidity injection of Rs. 1.16 trillion by the end of the month; this would cushion systemic liquidity against potential capital outflows and seasonal cash leakages.
- **In ICRA's view, if the headline CPI inflation eases to 5.0% or lower in December 2024, the likelihood of a rate cut by the MPC in its February 2025 meeting would be very high. We maintain our baseline expectation of two rate cuts of 25 bps each in the awaited rate easing cycle.**

Table A.1: Trend in CPI Inflation (YoY)

	Weight	Y-o-Y Inflation 2012 Base				M-o-M	Buildup
		September-24	October-24	October-24	November-24	November-24	November-24
		Final	Provisional	Final	Provisional	Provisional	Provisional
CPI (combined)	100.00	5.5%	6.2%	6.2%	5.5%	-0.2%	5.8%
Food and beverages	45.86	8.4%	9.7%	9.7%	8.2%	-0.5%	9.3%
Cereals and products	9.67	6.8%	6.9%	6.9%	6.9%	0.9%	4.4%
Meat and fish	3.61	2.6%	3.2%	3.2%	4.7%	-0.3%	1.4%
Egg	0.43	6.4%	4.9%	4.9%	4.8%	2.8%	4.2%
Milk and products	6.61	3.0%	3.0%	3.0%	2.9%	0.1%	2.2%
Oils and fats	3.56	2.5%	9.5%	9.6%	13.3%	3.1%	14.9%
Fruits	2.89	7.6%	8.4%	8.4%	7.7%	-1.1%	10.0%
Vegetables	6.04	36.0%	42.2%	42.2%	29.3%	-4.6%	42.1%
Pulses and products	2.38	9.8%	7.4%	7.4%	5.4%	-0.2%	7.3%
Sugar and confectionary	1.36	3.5%	2.6%	2.6%	1.3%	-0.1%	2.4%
Spices	2.50	-6.1%	-7.0%	-7.0%	-7.4%	0.0%	-2.4%
Pan, tobacco and intoxicants	2.38	2.5%	2.5%	2.5%	2.3%	0.1%	1.7%
Clothing and footwear	6.53	2.7%	2.7%	2.7%	2.7%	0.3%	2.0%
Housing	10.07	2.7%	2.8%	2.8%	2.9%	0.2%	2.7%
Fuel and light	6.84	-1.3%	-1.6%	-1.7%	-1.8%	-0.1%	0.5%
Miscellaneous	28.32	4.0%	4.3%	4.3%	4.3%	0.2%	3.3%
Household goods and services	3.80	2.5%	2.7%	2.7%	2.8%	0.3%	2.0%
Health	5.89	4.1%	4.0%	4.0%	4.0%	0.3%	2.6%
Transport and communication	8.59	2.7%	2.7%	2.8%	2.6%	0.1%	2.5%
Recreation and amusement	1.68	2.4%	2.5%	2.4%	2.6%	0.3%	1.9%
Education	4.46	3.8%	4.0%	3.9%	3.9%	0.1%	3.4%
Personal care and effects	3.89	9.0%	11.0%	11.0%	10.4%	0.3%	7.7%
CPI-Food	36.55	9.2%	10.9%	10.9%	9.0%	-0.6%	10.5%
CPI-Core	44.97	3.8%	4.0%	4.0%	3.9%	0.2%	3.1%
CPI Rural		5.9%	6.7%	6.7%	6.0%	-0.1%	6.2%
CPI Urban		5.0%	5.6%	5.6%	4.8%	-0.3%	5.2%

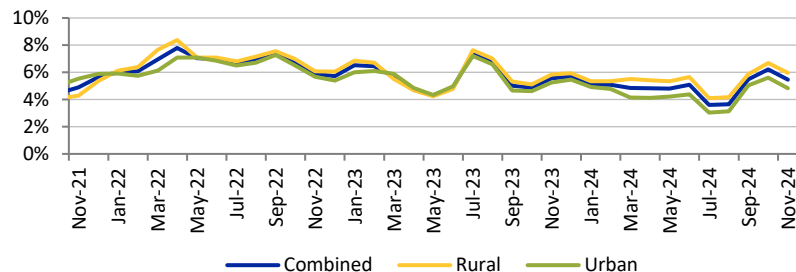
Source: National Statistical Office (NSO); CEIC; ICRA Research

Table A.2: Sub-sectors with major contribution in CPI Inflation

Sub-Group	Item Description	Weight (%)	Sub-Group	Item Description	Weight (%)
Food and Beverages	Milk: Liquid	6.42	Housing	House Rent, Garage Rent	9.51
	Rice – other sources*	4.38		Residential Building and Land (cost of repairs only)	0.28
	Wheat/Atta – other sources*	2.56		Water Charges	0.16
	Cooked Meals Purchased	2.42		Watch man Charges	0.11
Pan, Tobacco and Intoxicants	Bidi	0.43	Fuel and Light	Electricity	2.26
	Foreign/Refined Liquor or Wine	0.40		Firewood and Chips	2.07
	Country Liquor	0.35		LPG (excluding conveyance)	1.29
	Other Tobacco Products	0.26		Dung Cake	0.44
Clothing and Footwear	Saree	0.90	Miscellaneous	Medicine (non-institutional)	4.01
	Cloth for Shirt, Pyjama, Kurta, Salwar, etc.	0.68		Tuition and Other Fees (school, college, etc.)	2.90
	Shirts, T-shirts	0.57		Petrol for Vehicle	2.19
	Shorts, Trousers, Bermudas	0.55		Telephone Charges: Mobile	1.84

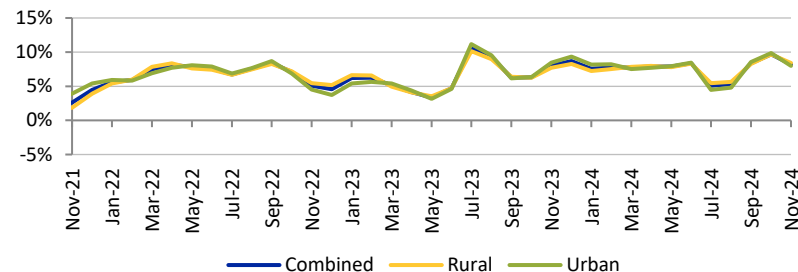
*Sources other than PDS; Source: NSO; CEIC; ICRA Research

EXHIBIT: CPI Inflation (YoY)



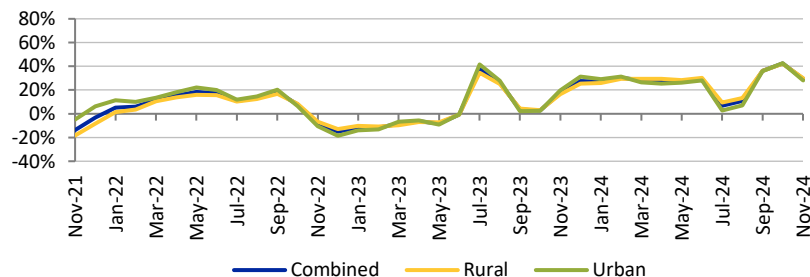
Source: NSO; CEIC; ICRA Research

EXHIBIT: Food and Beverages Inflation (YoY)



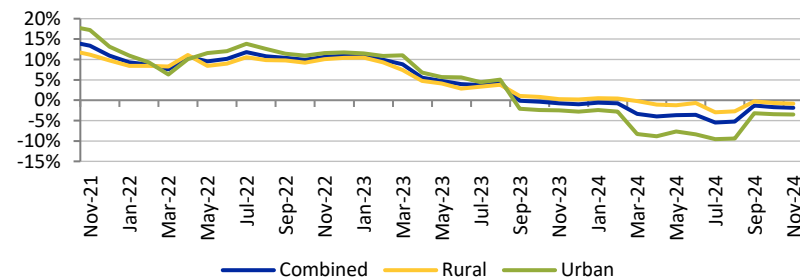
Source: NSO; CEIC; ICRA Research

EXHIBIT: Vegetables Inflation (YoY)



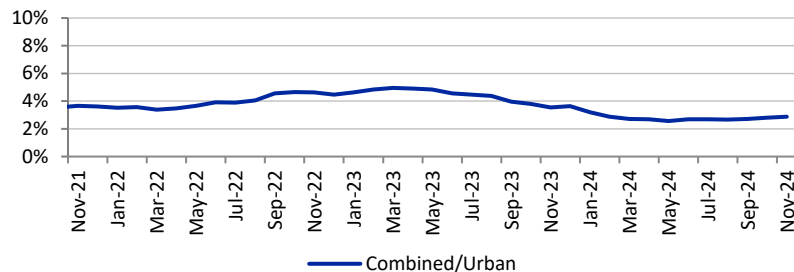
Source: NSO; CEIC; ICRA Research

EXHIBIT: Fuel and Light Inflation (YoY)



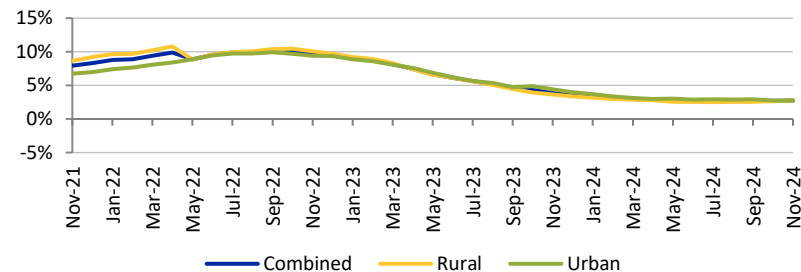
Source: NSO; CEIC; ICRA Research

EXHIBIT: Housing Inflation (YoY)



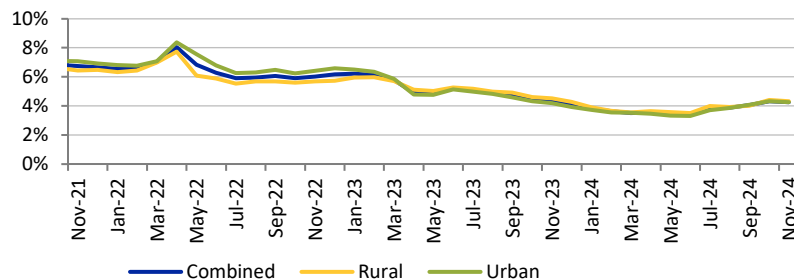
Source: NSO; CEIC; ICRA Research

EXHIBIT: Clothing and Footwear Inflation (YoY)



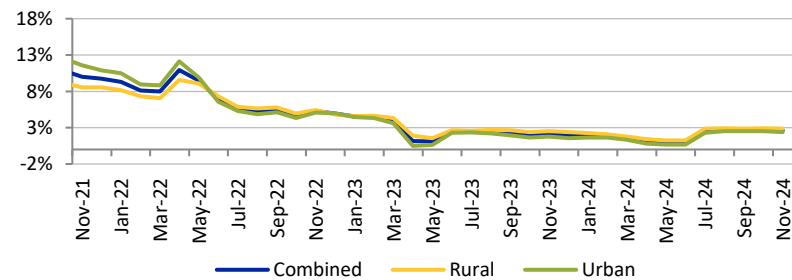
Source: NSO; CEIC; ICRA Research

EXHIBIT: Miscellaneous Inflation (YoY)



Source: NSO; CEIC; ICRA Research

EXHIBIT: Transport and Communication Inflation (YoY)



Source: NSO; CEIC; ICRA Research



Click to Provide Feedback



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, Head- Research and Outreach	aditin@icraindia.com	0124- 4545 385
Rahul Agrawal	Senior Economist	rahul.agrawal@icraindia.com	022 – 6114 3425
Aarzoo Pahwa	Economist	aarzoo.pahwa@icraindia.com	0124 – 4545 835
Tiasha Chakraborty	Economist	tiasha.chakraborty@icraindia.com	0124- 4545 848
Isha Sinha	Associate Economist	isha.sinha@icraindia.com	022 – 6114 3445





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!