

## Retail Inflation: February '14

The downward trend in retail inflation commenced in December '13 continues for the month of February '14 as well, thus, taming down the inflation concerns which loomed large over the economy during this fiscal. According to the data released today retail inflation as measured by the Consumer Price Index (CPI) stands at 8.1% for February '14 on a y-o-y basis edging lower than the 8.79% it recorded in January '14.

This is the third consecutive month of the downward trend in CPI inflation, which comes as good news following the upward trajectory inflation maintained in the first half of FY14.

Table below depicts the movement in CPI over the last three months.

**Table 1: Movement of Retail Inflation (y-o-y %)**

	CPI (y-o-y%)		
	December '13	January '14	February '14
<b>A) Food and Beverages</b>	<b>12.16</b>	<b>9.90</b>	<b>8.57</b>
• Cereals and products	12.14	11.42	9.93
• Egg, fish and meat	12.64	11.69	9.69
• Vegetables	38.76	21.91	14.04
• Fruits	14.64	15.66	15.79
• Sugar	-5.61	-5.51	-5.48
<b>B) Fuel and light</b>	<b>6.98</b>	<b>6.54</b>	<b>6.13</b>
<b>C) Clothing, bedding and footwear</b>	<b>9.25</b>	<b>9.18</b>	<b>9.22</b>
<b>Overall combined (A+B+C)</b>	<b>9.87</b>	<b>8.79</b>	<b>8.1</b>

**Overall, there appears to be a slowdown in inflation across all the sectors except the 'clothing, bedding and footwear' industry.**

- Inflation in '**Food and Beverages**' reduced from 9.9% in January'14 to 8.57% in February '14. It was one of the driving factors behind the fall in inflation in February '14.
  - Within the food and beverages basket, vegetables recorded the largest drop in inflation coming down from 21.9% in December 2013 to 14.0% in February 2014.
  - There was a significant fall in inflation in cereals and products as well where it slowed down to 9.9% from the previous measure of 11.4%.

- Inflation in egg, fish and meat also slid down from 11.7% in January to 9.7% in February 2014.
  - The negative inflation in sugar was status quo at -5.5%
  - 'Fruits' also remained largely unchanged increasing only marginally to 15.8% vis-a-vis 15.7% in the previous month.
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- **Fuel and light** inflation also stands lower at 6.1% in February compared with the inflation figure of 6.5% in January 2014.
  - Inflation in '**clothing, bedding and footwear**' industry has increased marginally from 9.18% to 9.2% in February '14.

### **CARE's view**

*The continuous rate hikes by the RBI and its resolve in taming down inflation finally seems to be reflecting in the retail inflation. Further, the expectation of a lower WPI inflation for February is reiterated given the fall in CPI. Although inflation is on the desired path now, **we do expect RBI to still maintain interest rates status quo in the policy announcement in April 2014 to ensure that the decline in inflation continues before the monetary policy looks to promote growth.***

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