

**CPI INFLATION RISES TO 5.08% DRIVEN BY FOOD AND SERVICES**

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India's retail inflation increased to 5.08% in June 2024, compared to 4.80% in May, owing to higher food and beverage inflation. Core CPI increased to 3.13% compared to 3.07% in May. Both rural and urban inflation increased in June. While, rural inflation increased to 5.66%, urban inflation rose to 4.39% in June.

**The upward trajectory of the CPI in June was majorly decided by components in the food items.** The primary driver was vegetables which registered a growth of 29.32%. This was followed by pluses with 16.07%. Climatic factors have played a major role in veg-protein based item prices recently. Although there is no secular inflation build-up in protein item. The inflation in cereal is third major contributor to inflation in June registering an inflation of 8.75%. Lastly the prices of services, namely the personal care and effects contributed the rest.

**Most of the sub-components except the above registered growth below the average CPI indicating that inflation uptick was largely localized to a few items.**

**Spatially inflation showed considerable variability. Among the 22 States, 12 states had inflation above India's inflation of 5.1% in June.** Odisha clocked the highest inflation rate of 7.22% in June, followed by Bihar at 6.37% and Karnataka at 5.98%.

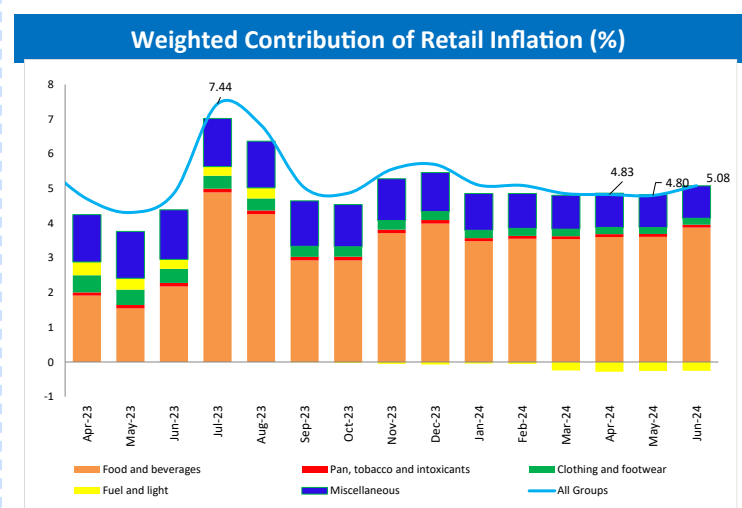
**From the supply side, IIP rose to a seven-month high of 5.9% in May from the downward revised figure of 5.4% in April.** Mining grew by 5.9%, Manufacturing grew by 4.6% and Electricity grew by 13.7%.

The trajectory of inflation will be determined by domestic inflation. **CPI inflation is expected to remain below or close to 5.0% in the remaining months, except for Sep'24. For the whole FY25, CPI inflation is likely to average to 4.6%-4.7%.** With monsoon progressing satisfactorily, with overall seasonal variation balancing out (a marginal deficit of -5% in Central India), we do not expect any significant deviation in the inflation outlook.

**Further with US inflation having declined by 0.1% from May, putting the 12-month rate at 3%, around its lowest level in more than three years is creating grounds for Fed rate cut rate by September. We, therefore, feel RBI will revisit the policy stance round that time in line with our expectation.**

**CPI INFLATION INCREASED TO 5.08%**

- ◆ India's retail inflation increased to 5.08% in June 2024, compared to 4.80% in May, owing to higher food and beverage inflation. Within food inflation, vegetables and fruits inflation increased further in June as compared to May. Vegetable prices also increased significantly m-o-m by 11% to 14.24%. Item wise data shows increased contribution of onion, and potato.
- ◆ Core CPI increased to 3.13% compared to 3.07% in May.
- ◆ Both rural and urban inflation increased in June. While, rural inflation increased to 5.66%, urban inflation rose to 4.39% in June.
- ◆ With moderate fuel prices, inflation is currently being driven by food price dynamics. Looking ahead evolving food prices will determine domestic inflation. CPI inflation is expected to remain below or close to 5.0% in the remaining months, except for Sep'24. For the whole FY25, CPI inflation is likely to average to 4.6%-4.7%.



Source: SBI Research

**CPI STATE-WISE INFLATION: RURAL INFLATION REMAINS HIGHER THAN URBAN INFLATION**

- ◆ Though the overall CPI inflation in India has declined from 7.4% in July 2023 and remained around 5% till now, but the Rural inflation is continued to be higher than the Urban inflation.
- ◆ The gap between urban and rural consumers' inflation trends was sharp for the fourth consecutive month, with rural households prices are paying almost 1% higher than the 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%).
- ◆ If we look the State-wise Inflation, there are many bigger States, whose inflation is continued to above 5.5%. Among the States, Odisha clocked the highest inflation rate of 7.22% in June, followed by Bihar at 6.37% and Karnataka at 5.98%.
- ◆ Except 4-state, all other 18-state's rural inflation is higher than the urban inflation in June 2024. The trend is continuing from earlier months.
- ◆ Among the 22 States, there are 12 States whose inflation is above India's inflation of 5.1% in June and only 8-States whose inflation is below 5%.

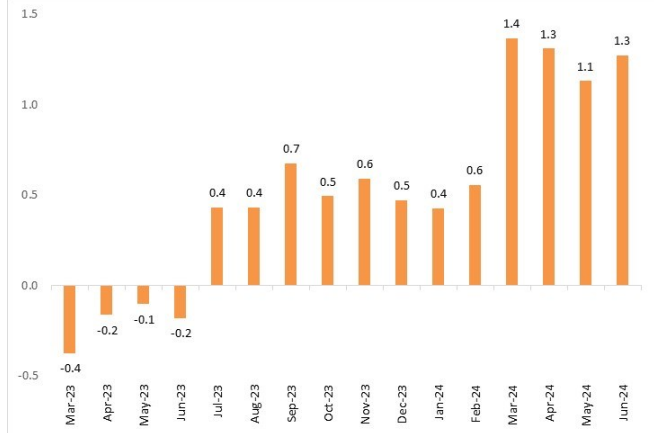
**CURRENTLY MARKET PRICES OF FOOD CROPS ARE HIGHER THAN MSP PRICES**

- ◆ If we compare Mandi prices and MSP for Maize, Arhar, Urad, Paddy, Sesamum, Wheat, Gram & Masur etc, market prices is higher than MSP, indicating a clear evidence of price discovery in agricultural markets in recent times. While in some crops like Jowar, Bajra, Ragi, Moong, Soyabean and Cotton, market price is lower than MSP
- ◆ Analyzing eNAM prices, we understand prices of major crops are already above MSP even though prices of not so widely cultivated crops are a little under MSP..hence Gol could devise a plan to provide price support to the farmers, if only market prices fall lower than MSP (viz. Directly compensating the farmers the difference between selling price and MSP that would soften the fiscal cost of the Gol). Also, promising sectors with incremental value addition like livestock and horticulture should occupy a larger share of policy initiatives

**IIP GREW BY 5.9% IN MAY 2024**

- ◆ IIP rose to a seven-month high of 5.9% in May from the downward revised figure of 5.4% in April. Mining grew by 5.9%, Manufacturing grew by 4.6% and Electricity grew by 13.7%. Meanwhile, for April-May 2024, industrial growth stood at 5.4% as against 5.1% in April-May 2023.

**Rural Inflation Continued to be Higher than Urban Inflation (%)**



Source: SBI Research

**Rural Inflation is Higher than Urban Inflation**

States	Rural	Urban	Combined	Rural minus Urban
Andhra Pradesh	6.31	5.16	5.87	1.15
Assam	5.88	4.85	5.67	1.03
Bihar	6.48	5.46	6.37	1.02
Chhattisgarh	5.69	4.80	5.36	0.89
Delhi	2.10	2.18	2.18	-0.08
Gujarat	5.49	4.93	5.18	0.56
Haryana	6.19	4.43	5.41	1.76
Himachal Pradesh	4.19	2.54	3.86	1.65
Jharkhand	5.80	3.90	5.05	1.90
Karnataka	7.41	4.78	5.98	2.63
Kerala	6.23	5.18	5.83	1.05
Madhya Pradesh	5.97	3.66	5.00	2.31
Maharashtra	4.13	4.59	4.42	-0.46
odisha	7.78	5.59	7.22	2.19
Punjab	3.62	4.09	3.81	-0.47
Rajasthan	5.94	5.72	5.83	0.22
Tamil Nadu	5.11	4.55	4.75	0.56
Telangana	5.10	5.82	5.49	-0.72
Uttar Pradesh	6.03	4.22	5.40	1.81
Uttarakhand	3.30	2.14	2.89	1.16
West Bengal	4.59	3.41	4.03	1.18
J & K	5.43	2.60	4.47	2.83
All India	5.66	4.39	5.08	1.27

**Difference between E-Nam modal price and MSP (Rs/Quintal)**

Crops	Mandi Price(MP) Latest FY25	Minimum Support Price(MSP) FY 25	Change (MP-MSPFY25)	% change in (MP-MSP)	e-Nam Price FY25 latest	Change (e-Nam-MSP FY25)	% change in (eNam-MSP)
<b>Kharif crops</b>							
Jowar	3036	3421	-385	-11	3221	-200	-6
Bajra	2299	2625	-326	-12	2220	-405	-15
Maize	2277	2225	52	2	1957	-268	-12
Ragi	3610	4290	-680	-16	3301	-989	-23
Arhar	10431	7550	2881	38	11081	3531	47
Moong whole	8490	8682	-192	-2	7786	-896	-10
Urad whole	9214	7400	1814	25	7956	556	8
Soyabean	4805	4892	-87	-2	4441	-451	-9
Paddy Common	2424	2320	104	4	3643	1323	57
Cotton	6999	7521	-522	-7	6,751	-770	-10
Sesamum	11436	9267	2169	23	12393	3126	34
<b>Rabi Crops</b>							
Wheat	2524	2275	249	11	2506	231	10
Barley	2277	1850	427	23	1947	97	5
Gram whole	6631	5440	1191	22	6,584	1144	21
Masur/Lentil	8714	6425	2289	36	5,864	-561	-9

Source: Agrimarket, E-nam, SBI Research, MP- Mandi Price, MSP- Minimum Support Price, E-Nam-modal price, green colour: MSP < Mandi and e-Nam

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