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India's inflation above tolerance for 6th consecutive month; here's what analysts have to say

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New Delhi [India], July 13 (ANI): India's retail inflation eased marginally to 7.01 per cent in June from 7.04 per cent in the previous month helped by softening crude and edible oil prices, while staying above the central Reserve Bank of India's (RBI) tolerance limit for the sixth consecutive month.

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New Delhi: India's retail **inflation** eased marginally to 7.01 per cent in June from 7.04 per cent in the previous month helped by softening crude and edible oil prices, while staying above the central **Reserve Bank of India**'s (RBI) tolerance limit for the sixth consecutive month.

RBI predicts retail inflation to continue to remain high till the third quarter of the current financial year 2022-23, before lowering. Apart from this, domestic wholesale inflation has been in double-digits for over a year now.

At present, RBI's mandate is to keep retail inflation at 4 per cent with a tolerance band of 2 percentage points, i.e. 200 basis points on either side.

Following are some of the views on India's consumer inflation by analysts and financial market experts:

Vivek Rathi, Director-Research at Knight Frank India

At 7 per cent in June 2022, headline consumer inflation continued to remain outside the RBI comfort zone with broad-based price rises across almost all the categories. Although elevated, various central government measures in the last two months such as reduction in petrol and diesel excise duties, cut in import duty on edible oils, curtailment measures on food exports, etc. helped contain inflation in June as seen in softened sequential price growth.

The near-term consumer inflation outlook remains a little uncertain. The global commodity prices have started peaking out due to a slowdown in global demand; however, the wide gap between wholesale and retail prices continues to indicate further transmission of input costs to the consumers.

RajSinha, Chief Economist at CareEdge

The inflation print is broadly on expected lines as higher costs for cereals, vegetables and services were offset by the lower edible oils and fuel prices. This month's inflation data captures the impact of the excise duty cut on Petrol and Diesel announced by the Government.

Going ahead, healthy monsoon progress and Kharif sowing will be crucial for containing food inflation. However, elevated global **crude oil prices** and the weakening of the rupee against the dollar pose threat to the near-term inflation outlook. We expect consumer inflation to track back within the RBI's target range only in the fourth quarter of the current fiscal. For the full financial year, we project inflation to average at 6.6 per cent. RBI's policy action will be contingent on volatility in global crude oil prices and the rate hike trajectory by the US Fed. We see a 50 basis points rate hike in August policy followed by incremental hikes of 25 basis points each in the next two meetings (till December) with a terminal repo rate at 5.90 per cent. Nish Bhatt, Founder and CEO, Millwood Kane International - an **Investment** consulting firm

The retail inflation for the month of June has clocked in at 7.01 per cent. It is softening albeit at a slower pace over the past three months. However, it is still three straight months of inflation remaining above 7 per cent and six straight months of inflation above the RBI's aim of 6 per cent. The slight softening in inflation data is largely on account of a reduction in duties on fuel. We expect the inflation prices to harden going forward as high prices of crude and the impact of monsoon are factored in fully.

Nikhil Gupta, Chief Economist at Motilal Oswal Financial Services

India's Jun inflation came in at 7 per cent YoY, similar to that in May 2022 and slightly lower than the consensus (our forecast of 7.3 per cent). Lower inflation was primarily because of lower than expected food inflation.

Overall, there were no surprises in the data. Thus, no major implications for August monetary policy. We expect 25 basis points hike next month. Lower than expected inflation for the second consecutive month, however, is a relief.

Going forward, we expect headline inflation to stay 7 per cent in 2QFY23 and ease towards 6.5 per cent in 4Q.

Vijay Kalantri, Chairman, MVIRDC World Trade Centre Mumbai - an international trade promotion organization

CPI is above the 6 per cent mark for the last six months in a row. The persistently high headline inflation has led to generalized inflation with a high inflation rate in services segments such as health, recreation, and amusement.

We expect inflation to remain above the comfort zone of 6 per cent in the foreseeable future until the RBI's tightening policy shows results by containing aggregate demand.