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

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.

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Now Delhi: India's retail inflation soared marginally to 7.07 per cent in June from 7.04 per cent in the previous month helped by softening 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 2023-24, 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.

Soumya Mathur, Director Research at Knight Frank India

A 7 per cent rate, in June 2023, headlines consumer inflation continued to remain outside the RBI’s comfort zone with food inflation proving amongst all the categories. Although moderated, various central government measures in the last few months such as reduction in petrol and diesel excise duties, cut in import duty on edible oils, substantial measures on food exports, etc. helped contain inflation in June, as seen in softened sequential price growth.

This may have 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.

Rajat Shyam, Chief Economist at Canara

The inflation print is broadly in line with expectations 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 consumer demand and fuller reopening of the economy could be contributing to higher inflation. However, subdued global crude oil prices and the weakening of the rupee against the dollar price trend for the near-term inflation outlook. We expect consumer inflation to track back within the RBI's target range in the fourth quarter of the current fiscal. For the full financial year, we project inflation to average at 7.0 per cent. RBI's policy action will be contingent on volatility in initial months of the quarter and the risk appetite for the 7.50 fiscal. We see a 50 basis points cut in August policy followed by incremental cuts of 25 basis points each in the next two meetings (Oct-Nov-Dec) with a terminal repo rate at 6.25 per cent. Dushyant Thakur and Debkarshan Karmakar, Merrill Lynch International - Retained research covering firm.

The retail inflation for the month of June was clocked in at 7.07 per cent. It is softer from the previous month’s 7.13 per cent and 7.04 per cent in May and April respectively. It is, however, above the 6 per cent mark for the sixth consecutive month. The food inflation for the month was at 15.2 per cent, which is slightly lower than the previous month’s 15.4 per cent. This is primarily because of lower than expected food inflation.

Overall inflation, however, remains above the 5 per cent mark for the sixth consecutive month. This is primarily because of higher than expected food inflation. However, no major implications for the Indian 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 below 7 per cent in FY24 and move towards 6 per cent in FY25.

Vijay Kalani, Chairman, PVCIEC World Trade Centre Mumbai - an international trade promotion organization.

CPI inflation is above the 6 per cent mark for the last six months in a row. The persistently high headline inflation has led to generalised inflation with a high inflation rate in services segment 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.