

# In last inflation print before MPC meet, Feb CPI likely near 4% goal

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India's consumer price index (CPI)-based retail inflation is likely to have cooled further in February, approaching or falling below the 4 per cent inflation target for the Reserve Bank of India (RBI), due to easing prices across various goods categories, especially food items. This could open another window for the monetary policy committee (MPC) to consider a repo rate cut in its bi-monthly meeting in April.

In January, retail inflation stood at 4.31 per cent. The statistics ministry will release the February CPI data on Wednesday.

The RBI had projected CPI inflation for the current financial

year (2024-25) at 4.8 per cent, with the headline figure for the January-March quarter expected to remain at 4.4 per cent.

Nomura Asia, in a note, said that as vegetable prices are cooling, headline inflation is converging towards core inflation and is tracking at around 4 per cent in February and 4.1 per cent in the March quarter.

“Weak domestic demand, higher crop output, and muted manufacturing costs are likely to offset upside risks from a weak currency,” it added.

Echoing similar views, Madan Sabnavis, chief economist at Bank of Baroda, says that February continued to witness a softening of prices across the board, led by a sharp downward correction



in vegetable prices, and CPI is expected to settle at 4.1 per cent for the month.

“The most notable improvement in arrival statistics is seen for tomatoes and potatoes. Ideally,

this trend should continue through June and March, as the harvesting period for these two vegetables persists until these months. The wholesale prices of these vegetables have also fallen considerably, so some degree of pass-through in terms of softening retail prices is yet to occur. The month also witnessed a reduction in milk and kerosene prices, which will feed into headline CPI numbers,” Sabnavis explained.

Paras Jasrai, senior economic analyst at India Ratings & Research, says that retail inflation is expected to decline to a seven-month low of 3.7 per cent in February, as food inflation recedes further to around 4 per cent.

Aditi Nayar, chief economist at Icria, says she anticipates a fall in

the retail inflation rate to 4.1 per cent in February, led by further softening in food inflation, setting the stage for a back-to-back rate cut in the April MPC review.

Earlier in February, the MPC slashed the policy repo rate by 25 basis points (bps) to 6.25 per cent, marking the first reduction in almost five years.

Addressing the customary post-policy review press conference, RBI Governor Sanjay Malhotra said that food inflation pressures, absent any supply-side shocks, should see a softening due to good kharif production, winter easing in vegetable prices, and favourable rabi crop prospects.

“Core inflation is expected to rise but remain moderate. Rising uncertainty in global financial

markets, coupled with continuing volatility in energy prices and adverse weather events, presents upside risks to the inflation trajectory,” he added.

However, Sabnavis adds that risks remain to this cooling of prices, as global volatility in major asset classes, such as currency and gold, has not yet fed into inflation, especially since crude prices have remained on the lower side.

“With tariffs taking shape, base metal prices might witness some momentum. Another key risk from global prices is stickier edible oil prices, which will continue to translate into higher food inflation. Other pressures may emanate from excessively hot summers, which might pose some supply-side disruptions,” he added.