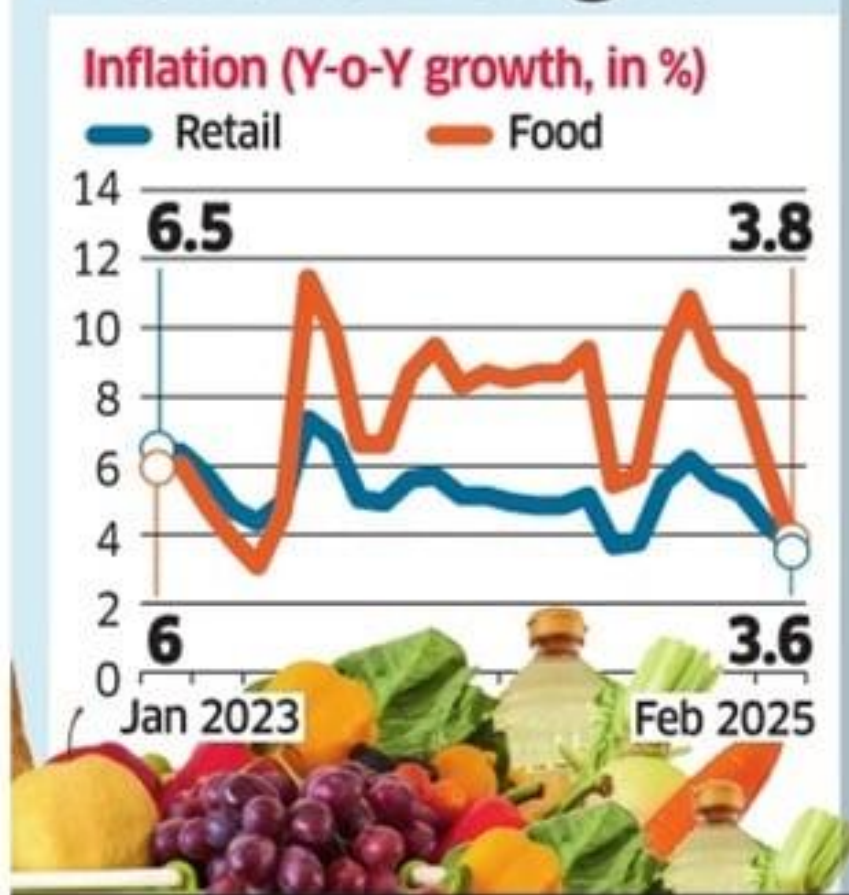


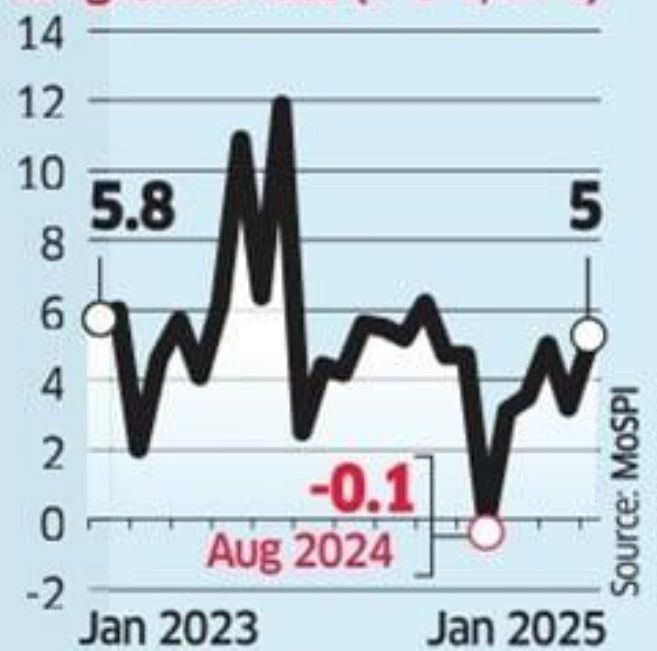
## FOOD PRICES AT 2-YEAR LOW

# Retail Inflation Cools, Industrial Output Picks Up

## Double Delight



## IIP growth rate (Y-o-Y, in %)



**19 out of 23**  
mfg sectors  
report positive  
growth in Jan

Experts see price rise easing further in March, boosting rate cut hopes

### Our Bureau

**New Delhi:** Retail inflation fell to a seven-month low of 3.6% in February, as food prices approached their lowest in two years, while industrial output grew by 5% in January, giving a double dose of cheer to the economy.

Food inflation hit a 21-month

low of 3.8% in February, down from 6% in January, official data released Wednesday showed.

Inflation, measured by the Consumer Price Index (CPI), stood at 4.3% in January and 5.1% in February 2024.

Economists said the decline in inflation enhances the likelihood of a rate cut when the Reserve Bank of India's Monetary Policy Committee (MPC) convenes from April 7 to 9. In February, the MPC had reduced the policy rate by 25 basis points to 6.25%, marking the first cut in five years.

**Higher Import Cost** ▶▶ 3



# Higher Import Cost

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“With inflation coming down to less than 4% and likely to remain low in March too, there is a good chance of a further repo rate cut in April given that RBI has been doing everything to provide easy flow of liquidity,” said Madan Sabnavis, chief economist at Bank of Baroda.

Aditi Nayar, chief economist at ICRA, said the rate cut in April may be followed by another 25 bps reduction either in June or August, depending in large part on the next gross domestic product (GDP) growth print for the March quarter.

Among food items, oil and fats, and fruits recorded the highest inflation at 16.4% and 14.8%, respectively, in February. “The former has also been affected by the volatile rupee, which has pushed up imported cost,” said Sabnavis.

Vegetable inflation declined by 1.1%. Other items like eggs (3%), pulses and products (0.4%), and spices (5.9%) also saw a decline.

Inflation in personal care and effects rose to 13.6% in February from 10.6% in January.

Rural inflation sharply decreased to 3.8% in February from 4.6% in January, while urban inflation fell to 3.3% from 3.9% in the same period.

“The sustained easing of inflationary pressures, RBI’s policy rate cut, and lower income tax burden remain the tailwinds for consumption recovery,” said Rajani Sinha, chief economist at CareEdge Ratings.

The improvement in consumption demand remains critical, also from the standpoint of boosting the investment scenario, she added.

Among 22 major states and Union territories, 10 had higher inflation rates than India’s average. Kerala recorded the highest inflation at 7.3%, followed by Chhattisgarh (4.9%), Karnataka and Bihar (4.5% each).

## INDUSTRIAL ACTIVITY

The manufacturing sector, with a growth of 5.5%, led industrial growth. Among the 23 manufacturing sectors, 19 posted positive growth in January. The key contributors were the manufacture of basic metals (6.3%), coke and refined petroleum products (8.5%), and electrical equipment (21.7%).

Mining sector output grew 4.4% in January from 2.7% in December, while electricity sector growth declined to 2.4% from 6.2% in the same period.

In terms of use-based classification, capital goods led growth with a 7.8% increase, followed by consumer durables (7.2%), infrastructure/construction goods (7%), and primary goods (5.5%).

Consumer non-durables output decelerated by 0.2%.

Overall, industrial output grew by 4.2% in FY25 (till January), lower than 6% in the corresponding period last year.



“Looking ahead, we expect industrial production growth in February to print close to current levels with support from capital and infrastructure sectors while consumer non-durables could get help from lower base from last year,” said Sakshi Gupta, principal economist at HDFC Bank.

The Index of Industrial Product (IIP) is released on the 12th of every month with a six-week lag. However, starting in April, the Ministry of Statistics and Programme Implementation (MoSPI) will release the data on the 28th of each month, shortening the lag from 42 days to a monthly cycle.

“Improving rural demand conditions and year-end government expenditure is likely to support industrial activity for the remainder of this fiscal,” said Gupta.