

- CPI inflation rose to 6-month high of 6.3% in May v/s 4.2% in Apr
- Inflation in May came higher than market estimate driven by high fuel and core items prices
- Fuel inflation rose to 11.6% in May v/s 8.0% in Apr
- Food inflation rose to 5.0% in May (2.0% in Apr) driven by high prices of fruits and pulses
- Core inflation rose to 6.6% in May compared to 5.2% in Apr
- IIP recorded high production growth in Apr driven by low base
- Industrial production impacted severely in Apr 2020 as the country was under strict lockdown

### Inflation rises to 6.3% in May on high fuel, core items' prices

CPI inflation rose to 6-month high of 6.3% in May v/s 4.2% in Apr due to high fuel cost and shot up of core items prices. Fuel inflation rose to 11.6% in May (8.0% in Apr) due to high petrol/diesel prices in the country. Driven by high fuel prices, inflation in transport segment rose by 12.4% during the reported month. Further, pick in some food items prices also exert upward pressure to headline number. CFPI rose to 5.0% in May (2.0% in Apr) led by rise in prices of fruits, pulses and vegetables due to supply side issues driven by localised lockdown and also because of low base. Inflation in key items include fruits (12% in May v/s 9.7% in Apr), pulses (9.4% in May v/s 7.5% in Apr), vegetables (-1.9% in May v/s -14.5% in Apr), housing (3.9% in May v/s -3.7% in Apr) and clothing & footwear (5.3% in May v/s 3.5% in Apr).

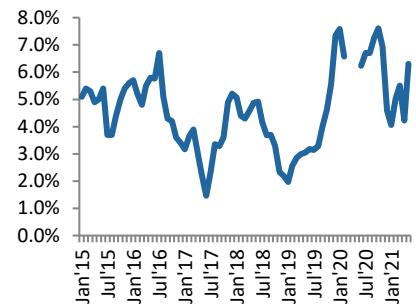
CPI inflation at 6.3% in May came above the market estimate and even surpass the RBI's target band of 2-6%. Fuel prices have been hovering at elevated level which in turn also putting upward pressure on core items prices. Some food items prices also rose in May driven by low base and supply side restrictions due to localised lockdown. With the phased unlocking of states, CPI inflation to ease in coming month. In its latest monetary policy meet, the RBI forecasted CPI inflation at 5.1% in FY22: 5.2% in Q1 (earlier estimate of 5.2%); 5.4% in Q2 (from earlier estimate of 5.2%); 4.7% in Q3 (earlier estimate of 4.4%) and 5.3% in Q4 (from earlier estimate of 5.1%).

### IIP records high production growth in Apr driven by favorable base

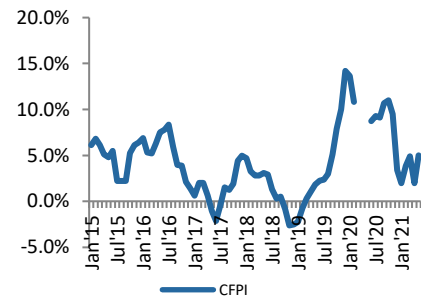
Industrial production rose by 134.4% in Apr as the country was under strict lockdown in the same month of year ago period. Nationwide lockdown was imposed last year to curb the first wave of Covid-19 which led temporary close down of most of the manufacturing facilities. Most of the units recorded nil production thereby making index comparison on yearly and monthly basis inadequate.

IIP growth calculated at 134% in Apr due to low base effect, however if we compare with Apr 19 index, the growth remained flat which indicates the adverse impact of second covid wave on economic activity. Though, second Covid wave is likely to further weigh on economic activity in May, the impact is likely to remain restricted due to implementation of localised lockdown instead of nationwide lockdown. Meanwhile, output growth to pick up in Jun as most of the states has started unlocking process with the decline in Covid cases in their respected regions.

CPI Inflation Trend



Food inflation



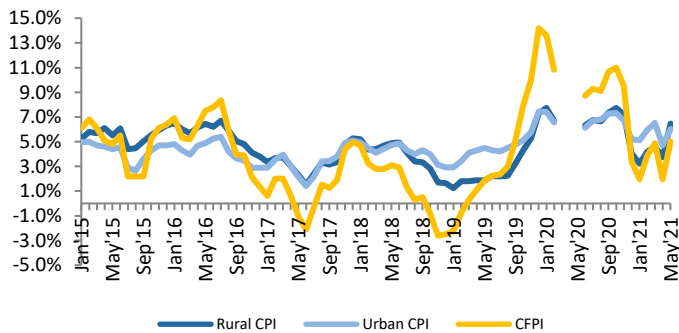
Particulars	Mining	Manufacturing	Electricity	IIP
Feb'21	-4.4%	-3.7%	0.1%	-3.4%
Mar'21	5.9%	28.3%	22.5%	24.1%
Apr'21	37.1%	197.1%	38.5%	134.4%

YoY	Sectoral Performance				Use-Based Classification					
	IIP	Mining	Manufacturing	Electricity	Basic	Capital	Intermediate	Infrastructure	Durables	Non-Durables
Index Weight	100%	14.4%	77.6%	8.0%	34.0%	8.2%	17.2%	12.3%	12.8%	15.3%
Apr'21	134.4%	37.1%	197.1%	38.5%	37.1%	1,077.1%	209.2%	564.0%	1,943.6%	95.7%
Mar'21	24.1%	5.9%	28.3%	22.5%	7.8%	48.3%	23.2%	34.9%	55.0%	31.2%
Apr'20	-57.3%	-26.9%	-66.6%	-22.9%	-4.0%	-92.7%	-18.6%	-85.0%	-95.7%	-48.1%
<b>Cumulative Growth</b>										
FY21	-8.4%	-7.8%	-9.6%	-0.5%	-7.0%	-18.8%	-9.4%	-8.7%	-15.2%	-2.1%
FY20	-0.8%	1.6%	-1.4%	1.0%	0.7%	-13.9%	9.1%	-3.6%	-8.7%	-0.1%

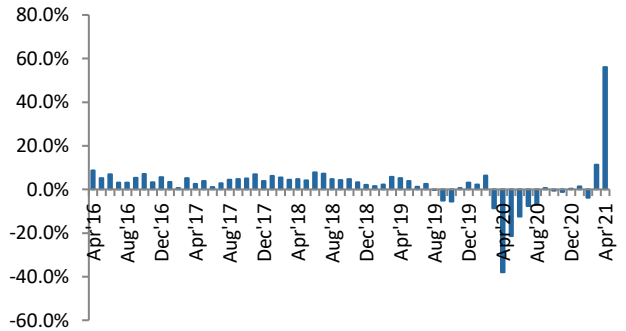
### Snapshot of CPI Inflation

% (YoY)	May'21	Apr'21	Mar'21	Feb'21	Jan'21	Comments
Food, beverages	5.2%	2.6%	5.2%	4.3%	2.7%	Inflation in food shot up in May
Cereals and products	-1.4%	-3.0%	-0.7%	-0.4%	0.1%	
Pulses and products	9.4%	7.5%	13.3%	12.6%	13.3%	Pulses prices rose, while inflation trend remained at elevated level
Meat and Fish	9.0%	16.7%	15.1%	11.5%	12.5%	
Milk and milk products	0.6%	-0.1%	2.2%	2.6%	2.7%	
Fruits	12.0%	9.7%	7.9%	6.0%	5.0%	
Vegetables	-1.9%	-14.5%	-5.0%	-6.3%	-15.8%	Vegetables prices continued in deflationary trend
Non-alcoholic beverages	15.1%	15.2%	14.4%	13.9%	13.2%	
Sugar and Confectionary	-1.4%	-6.0%	-0.5%	-0.7%	-0.3%	Sugar prices remained in contraction territory
Clothing and footwear	5.3%	3.5%	4.4%	4.2%	3.8%	
Housing	3.9%	3.7%	3.5%	3.2%	3.3%	
Fuel and light	11.6%	8.0%	4.4%	3.5%	3.9%	Fuel inflation climbed due to high crude oil prices
Pan, tobac. and intoxicants	10.0%	9.0%	9.9%	10.7%	10.9%	
<b>CPI</b>	<b>6.3%</b>	<b>4.2%</b>	<b>5.5%</b>	<b>5.0%</b>	<b>4.1%</b>	CPI inflation went above the RBI's target range
<b>CFPI</b>	<b>5.0%</b>	<b>2.0%</b>	<b>4.9%</b>	<b>3.9%</b>	<b>1.9%</b>	

### Urban, rural and CFPI inflation



### Core Sector Growth (%)



Source: Choice Broking Research

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