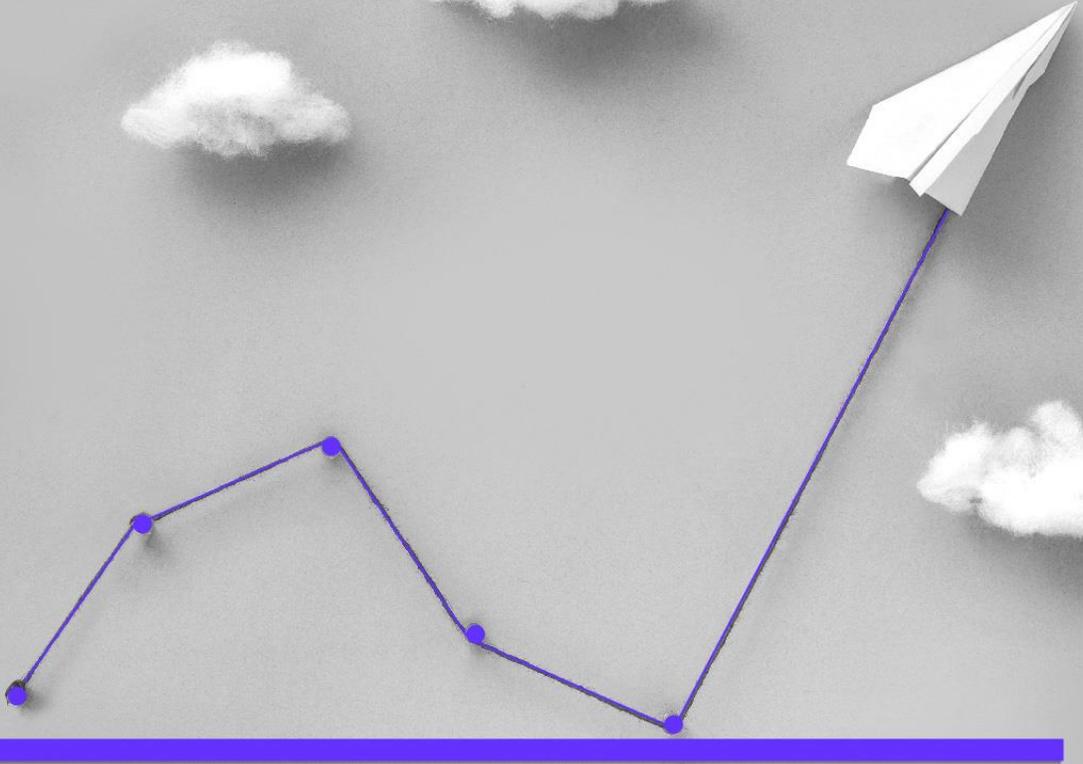


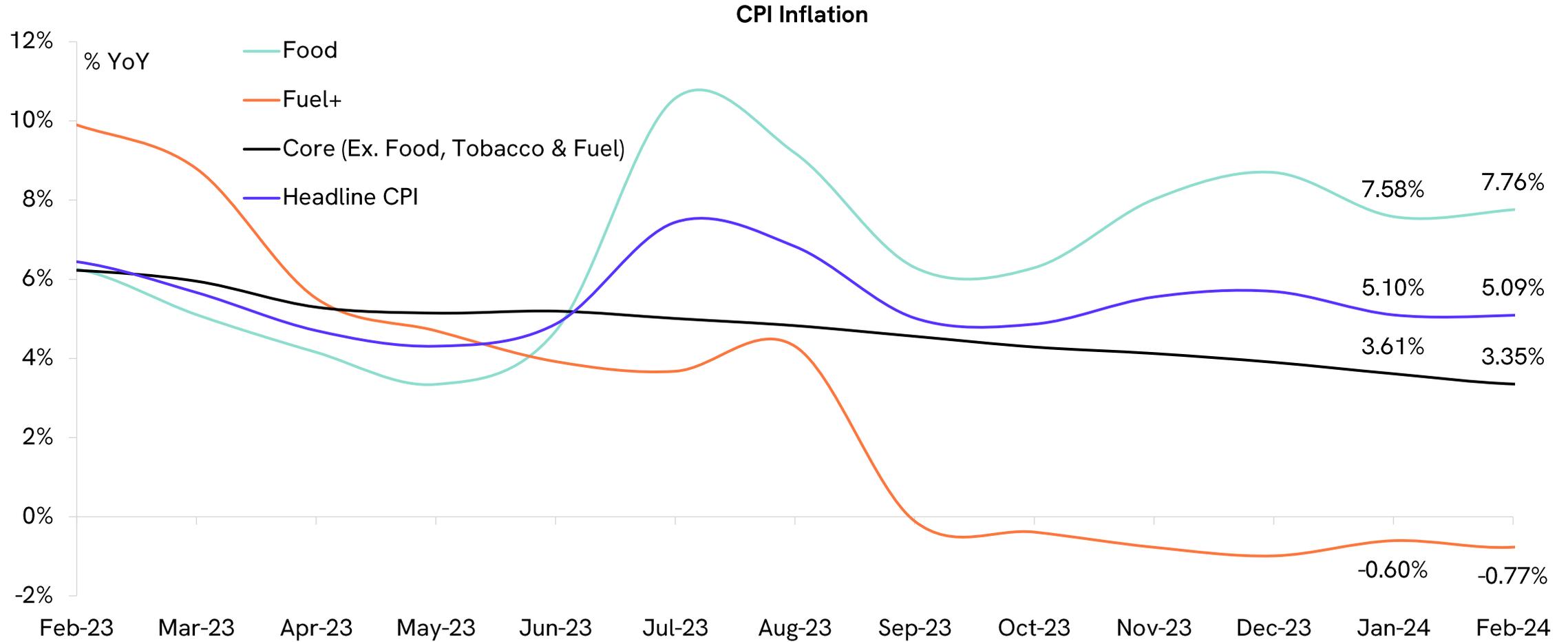
TRENDS & TIDES

**India's retail inflation flat
at 5.09% YoY in February
2024**



CPI inflation remains unchanged as higher food offsets weaker core

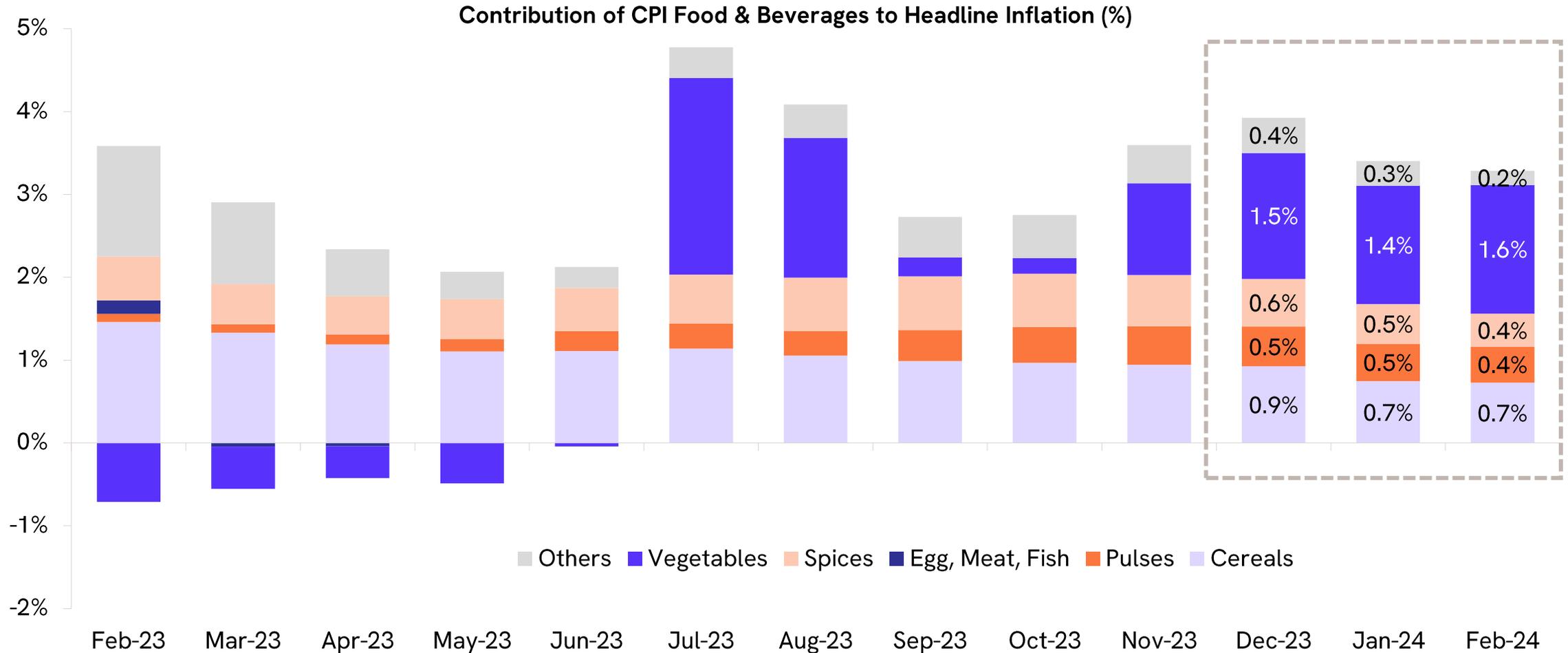
Food inflation remains elevated at 7.8% YoY, even as core inflation eases to an all-time low of 3.35% YoY



Source: MOSPI, 360 ONE Asset Research

Vegetables remain the primary driver of inflation

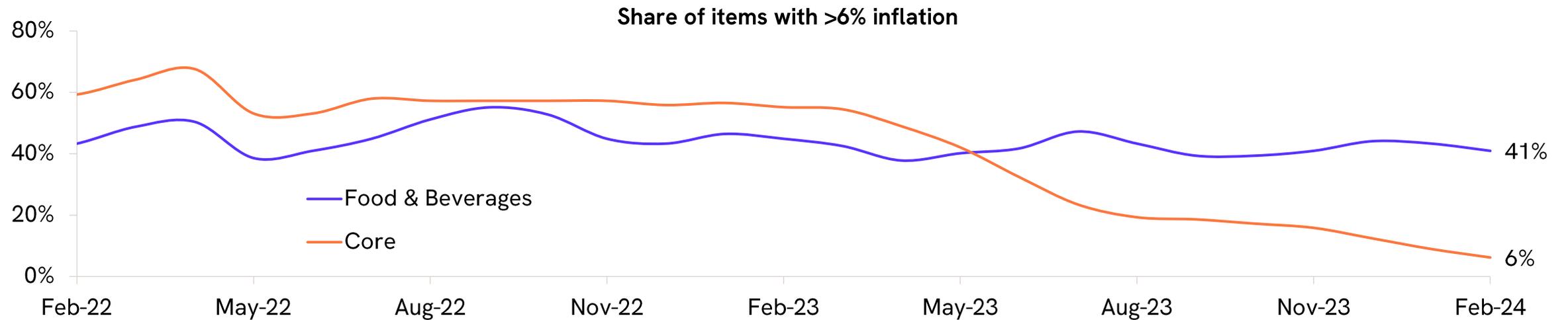
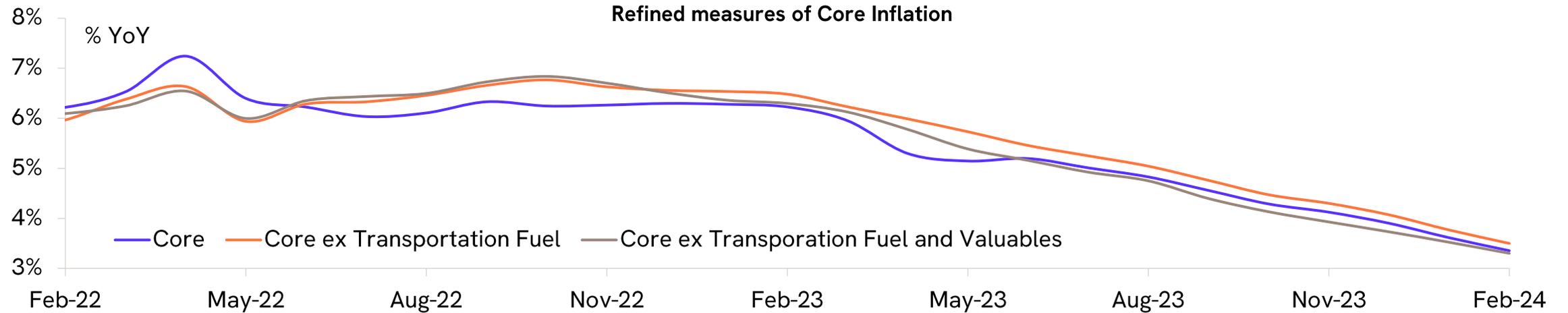
Vegetable inflation increases to 30.2% YoY in Feb'24 (Jan: 27.1% YoY) due to limited seasonal price correction



Source: MOSPI, 360 ONE Asset Research

Core inflation and its refined measures continue to trend downwards

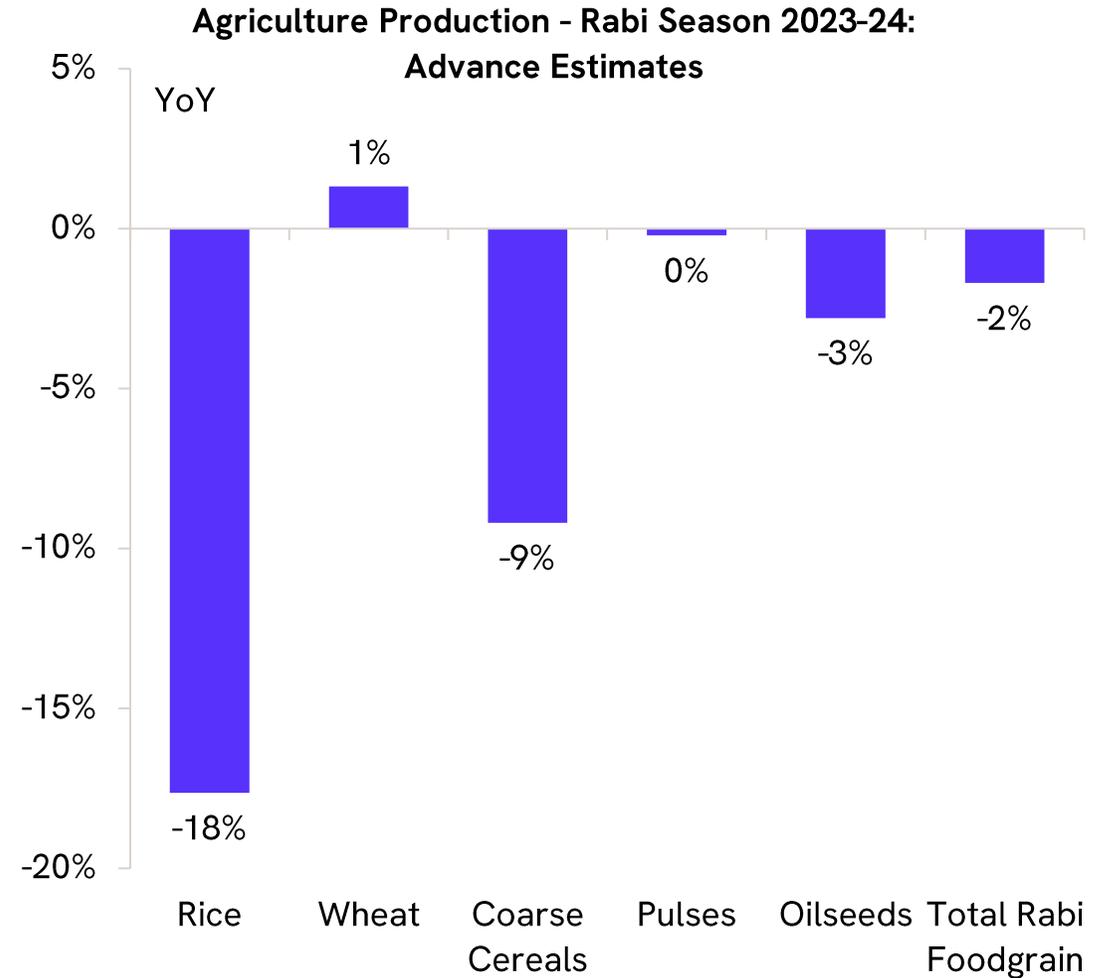
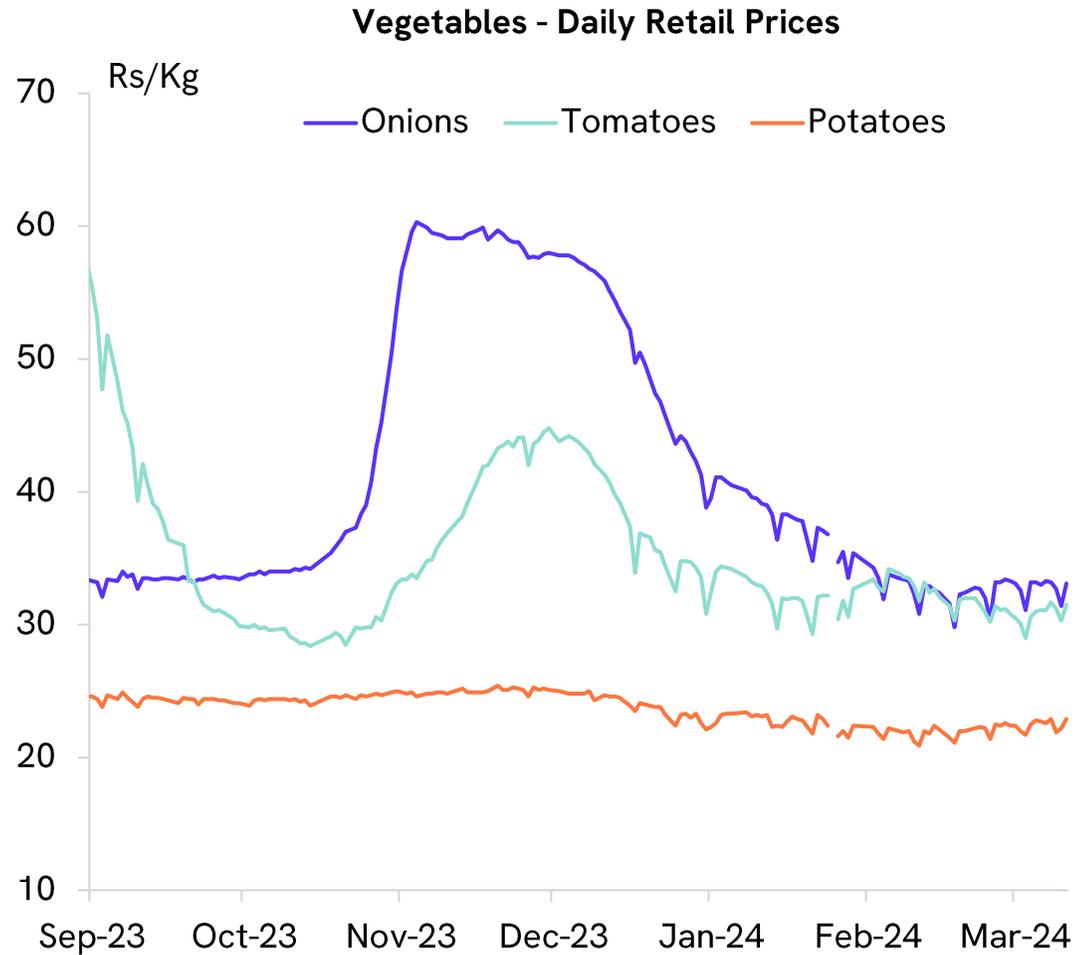
Food inflation remains broad-based, with 41% of food items witnessing greater than 6% inflation



Source: MOSPI, 360 ONE Asset Research

Vegetable prices witness limited seasonal correction in February 2024

Inflation in pulses and cereals may also remain elevated because of weak rabi production



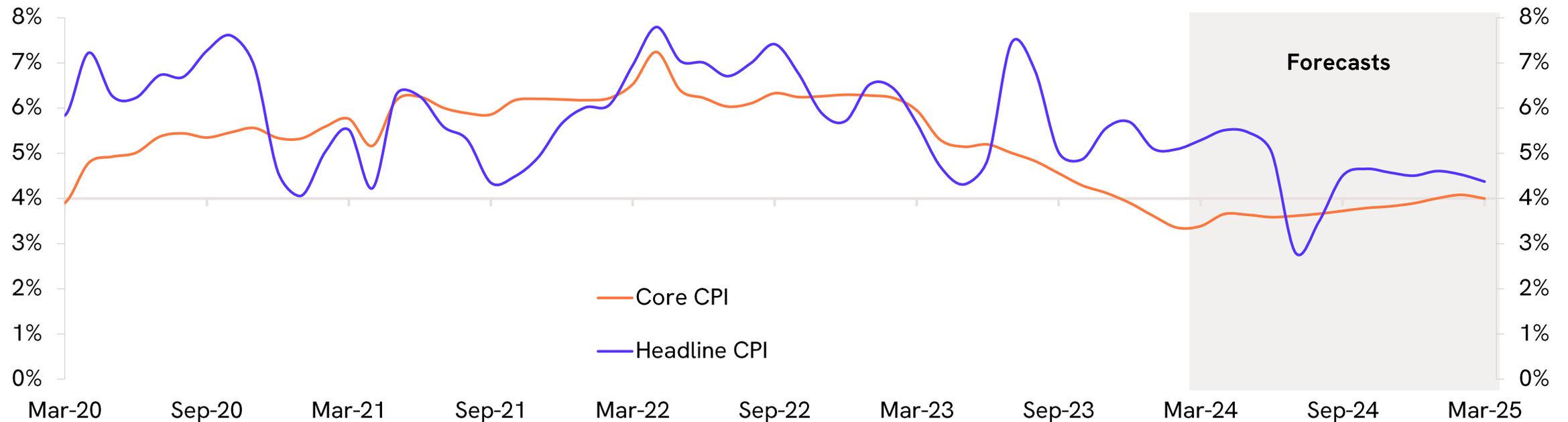
Source: CMIE, 360 ONE Asset Research

Outlook: Inflation expected to average 4.5% in FY25

RBI MPC is expected to maintain a pause until there is visibility of inflation durably aligning with 4% target

The IMD monsoon forecast for 2024 is the key event to watch for assessing the trajectory of food inflation. Early forecasts from National Oceanic and Atmospheric Administration (NOAA) suggest that a transition from El Niño to ENSO-neutral is likely by April-June 2024 (79% chance), with increasing odds of La Niña developing in June-August 2024 (55% chance). This is positive for the monsoon, as La Niña conditions are associated with good monsoon in India. However, weak rabi season production poses upside risks to the inflation trajectory

The monetary policy would continue to be 'actively disinflationary' in the near term to prevent recurrent incidents of overlapping price shocks from causing a generalized and persistent increase in headline inflation



Source: MOSPI, 360 ONE Asset Research

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