

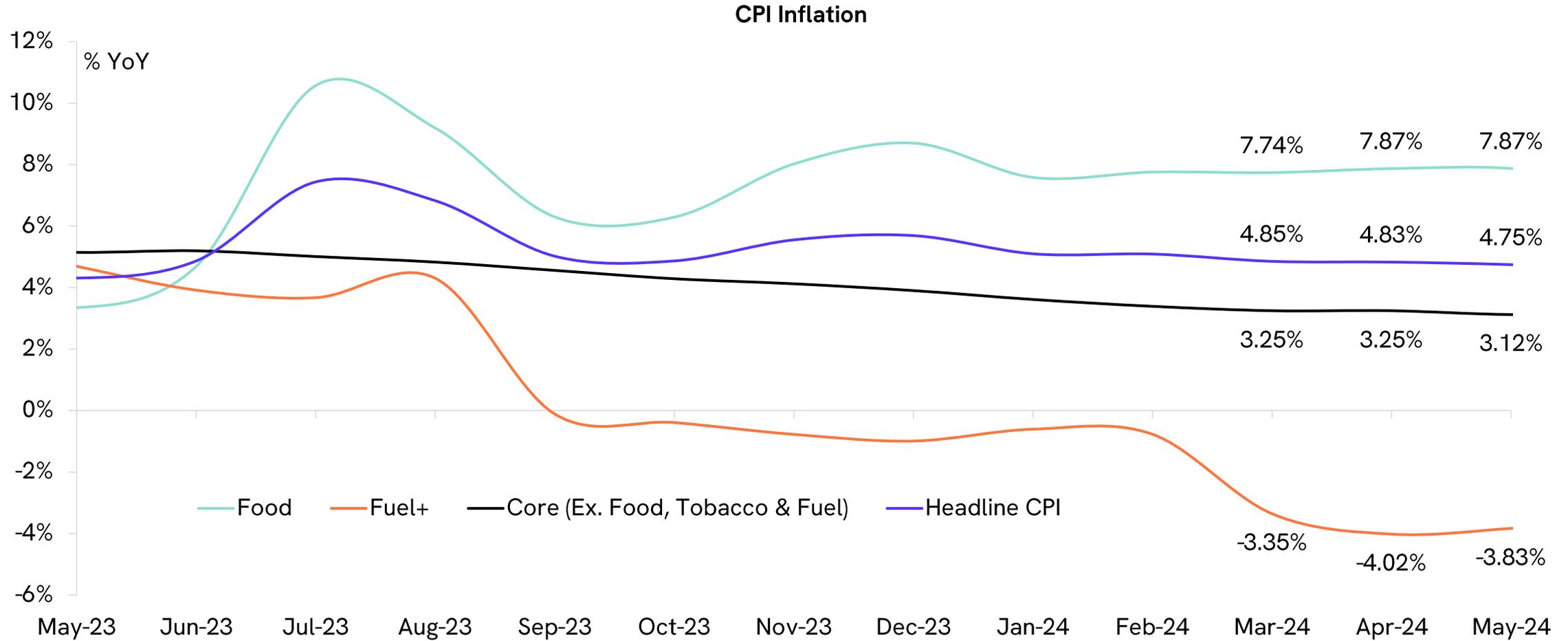
# TRENDS & TIDES

India's retail inflation eases  
to 4.75% YoY in May 2024



# Headline inflation eases as core falls to a series-low of 3.12% YoY

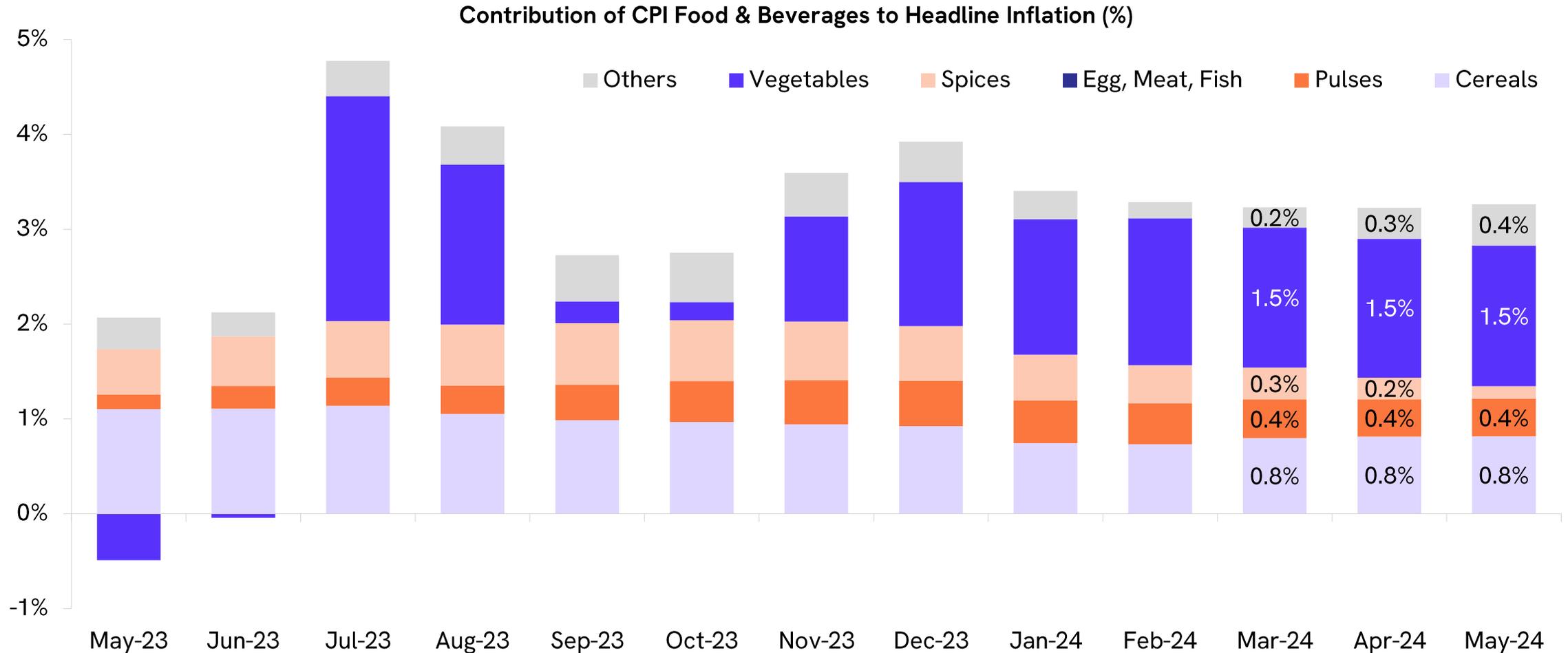
Food inflation remains elevated, while Fuel+ remains in steep deflation due to the reduction in LPG prices in Mar'24



Source: MOSPI, 360 ONE Asset Research

# Vegetables, cereals and pulses remain the major drivers of inflation

Cereals inflation rises to 8.7% YoY in May'24, while vegetables and pulses inflation stay high at 27.3% and 17.1%, respectively

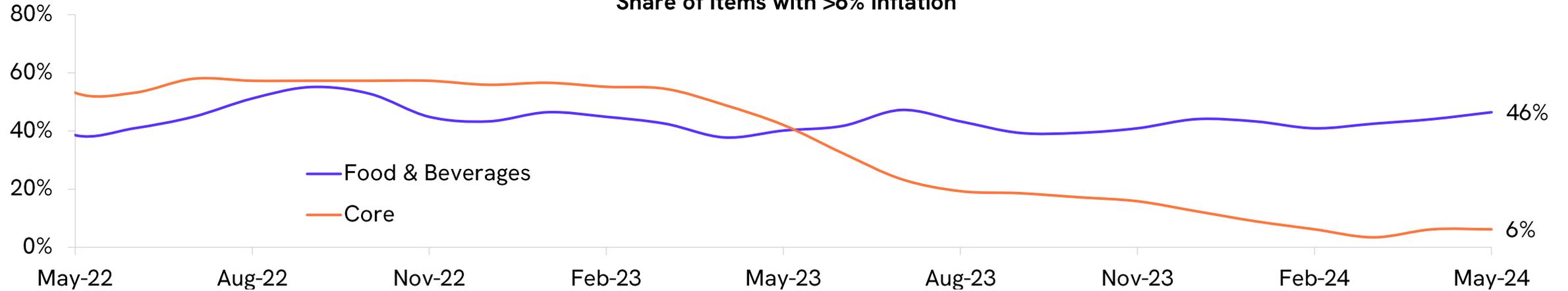


Source: MOSPI, 360 ONE Asset Research

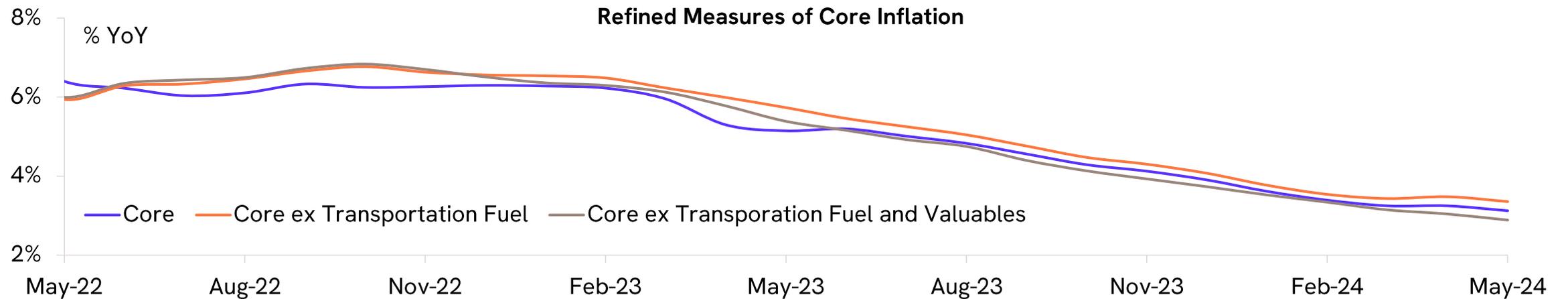
# Food inflation remains broad-based, 46% items witnessing >6% inflation

Underlying inflationary pressures continue to ease, as reflected in the steady correction in refined measures of core

Share of Items with >6% Inflation



Refined Measures of Core Inflation

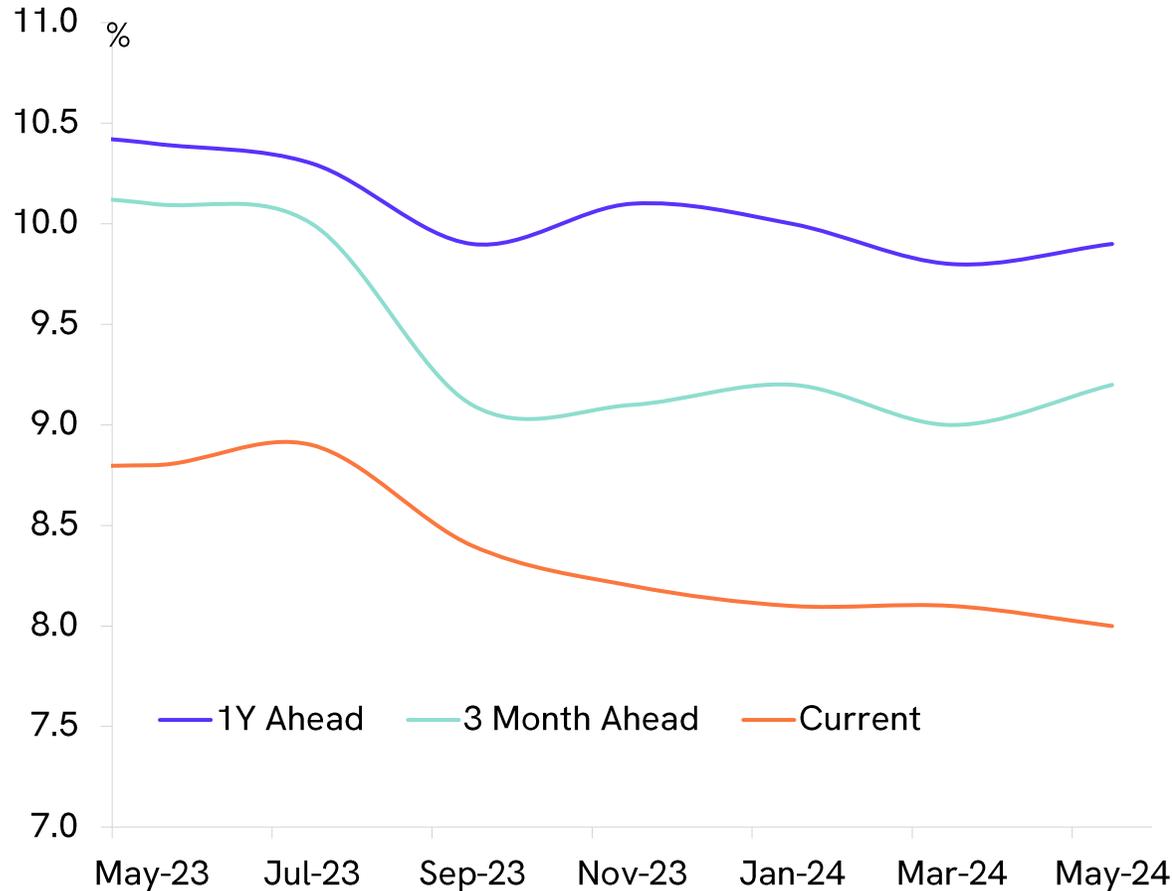


Source: MOSPI, 360 ONE Asset Research

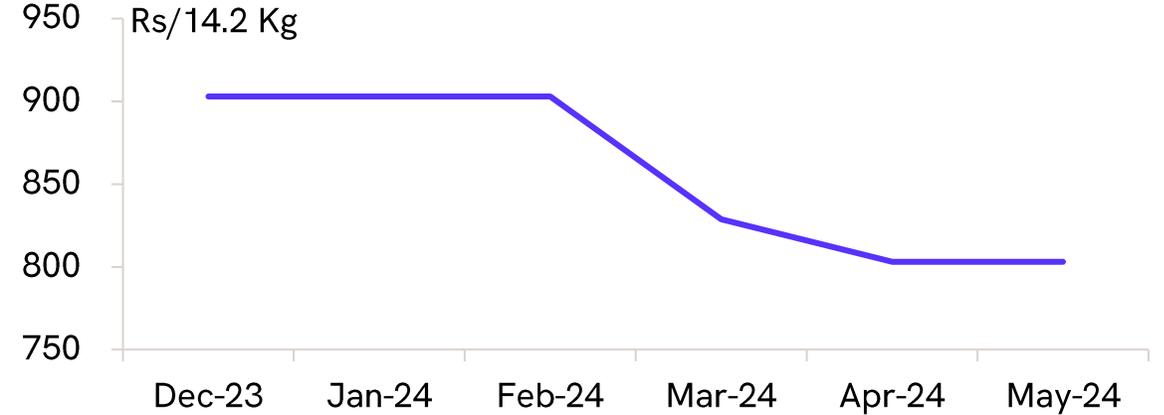
# Households' inflation expectations 3M and 1 Yr ahead rose in May

Household inflation expectations rose despite a reduction in LPG and pump prices, due to higher food inflation

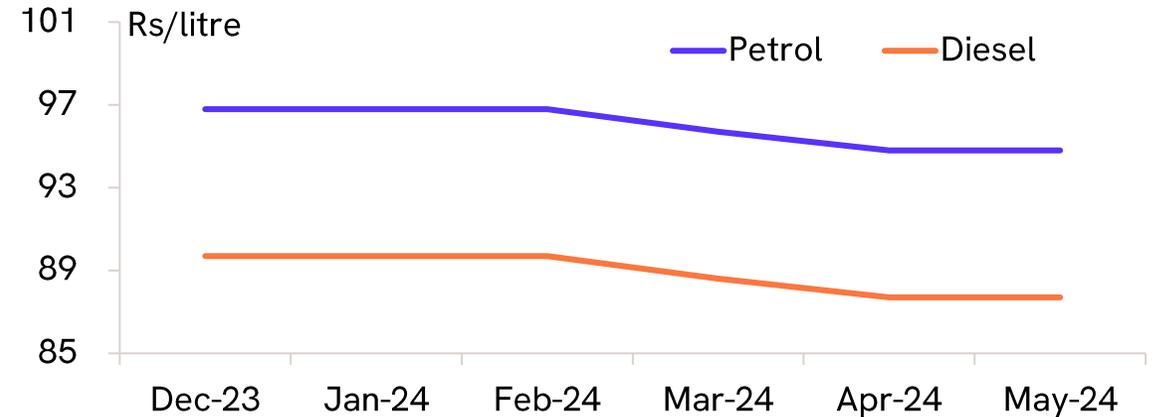
Household inflation expectation (Median)



Un-subsidised LPG Price - Delhi (Monthly Average)



Pump Prices - Delhi (Monthly Average)



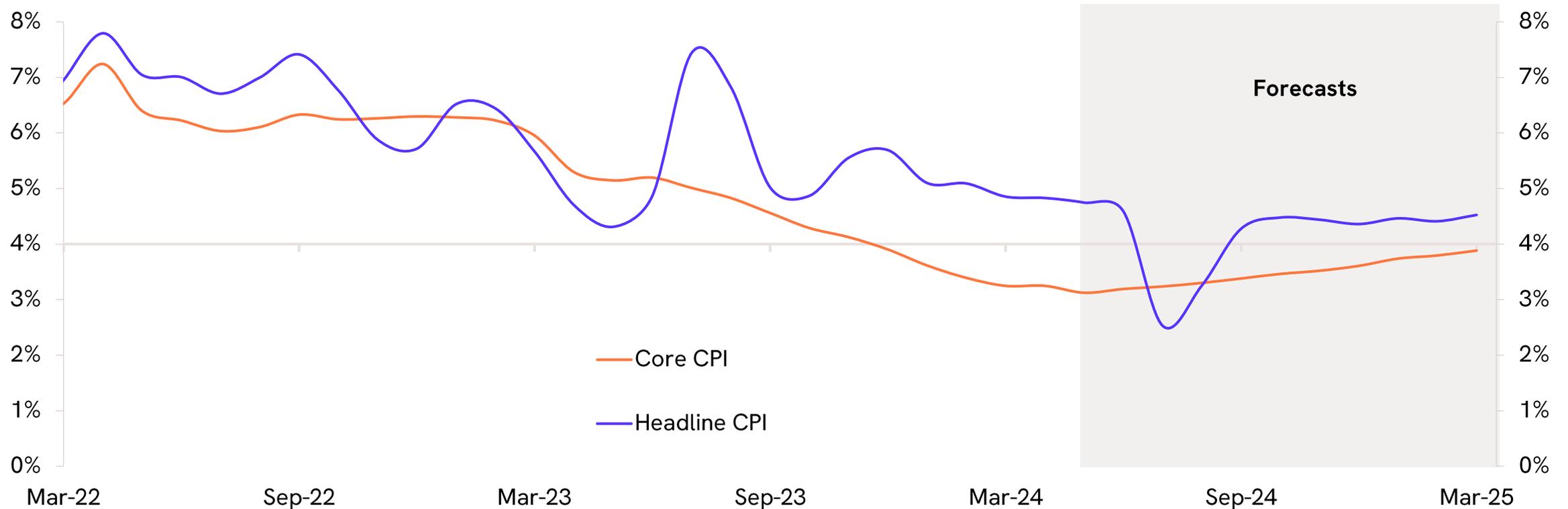
Source: RBI, 360 ONE Asset Research

# Outlook: Inflation expected to average around 4-4.3% YoY in FY25

Food prices may impart volatility to headline inflation, while weak consumption keeps the core benign

The RBI might consider shifting the policy stance to 'neutral' in the August 2024 MPC meeting

However, owing to the uncertainty surrounding food inflation, the RBI is likely to maintain caution regarding rate cuts



Source: MOSPI, 360 ONE Asset Research

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