

Prices and Inflation

“The Superintendent of Commerce shall ascertain demand or absence of demand for, and rise or fall in the price of, various kinds of merchandise which may be the products either of land or of water and which may have been brought in either by land or by water path. He shall also ascertain the time suitable for their distribution, centralisation, purchase, and sale.”

- Kautilya’s Arthasāstra, Chapter XVI, ‘the Superintendent of Commerce,’ in Book II, ‘The Duties of Government Superintendents.’

During FY 19 headline (CPI-C) inflation continued its downward trajectory on the back of low food inflation. Core inflation which was above 6 per cent in the six out of first seven months of FY 19 started moderating November onwards. Services and goods are trending differently. Rural inflation moderated but urban inflation rose in 2018-19 over the previous year. States too witnessed decline in inflation during the year.

INTRODUCTION

4.1 The economy witnessed a gradual transition from a period of high and variable inflation to more stable and low level of inflation in the last five years. Headline inflation based on the Consumer Price Index – Combined (CPI-C) has been declining continuously for the last five years. Headline CPI inflation declined to 3.4 per cent in 2018-19 from 3.6 per cent in 2017-18, 4.5 per cent in 2016-17, 4.9 per cent in 2015-16 and 5.9 per cent in 2014-15. It stood at 2.9 per cent in April 2019 as compared to 4.6 per cent in April 2018. Food inflation based on

Consumer Food Price Index (CFPI) declined to a low of 0.1 per cent during the financial year (FY) 2018-19.

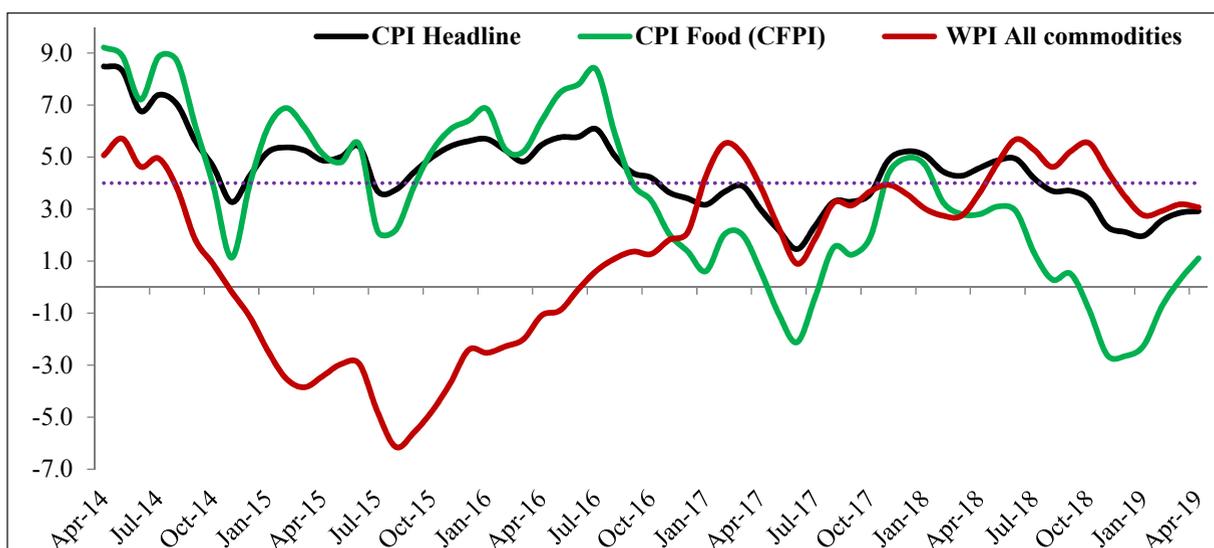
4.2 Inflation based on Wholesale Price Index (WPI) remained moderate at 3.0 per cent in 2017-18 compared to 1.7 per cent in 2016-17, (-)3.7 per cent in 2015-16 and 1.2 per cent in 2014-15. During the FY 2018-19, WPI inflation stood at 4.3 per cent. Inflation based on the major series of the price indices for the last seven years are given in Table 1 and the movement of WPI and CPI inflation since April 2014 is displayed in Figure 1.

Table 1: General inflation based on different price indices (in per cent)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
WPI	6.9	5.2	1.2	-3.7	1.7	3.0	4.3 (P)
CPI - C	9.9	9.4	5.9	4.9	4.5	3.6	3.4
CPI - IW	10.4	9.7	6.3	5.6	4.1	3.1	5.4
CPI - AL	10.0	11.6	6.6	4.4	4.2	2.2	2.1
CPI - RL	10.2	11.5	6.9	4.6	4.2	2.3	2.2

Source: Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT) for WPI, Central Statistics Office (CSO) for CPI-C and Labour Bureau for CPI-IW, CPI-AL and CPI-RL.

Note: CPI-C inflation for 2012-13 and 2013-14 is based on old series 2010=100; (P) - Provisional; C stands for Combined, IW stands for Industrial Workers, AL stands for Agricultural Labourers and RL stands for Rural Labourers.

Figure 1: Inflation based on WPI and CPI (in per cent)

Source: Computed from CSO and Office of the Economic Adviser, DPIIT data

CURRENT TRENDS IN INFLATION

4.3 The average CPI-C headline inflation declined to 3.4 per cent in 2018-19, which is the lowest average since the new series of CPI-C began. Headline CPI-C inflation has remained below 4.0 per cent for two consecutive years. The decline in the inflation in the FY 2018-19 was mainly due to low food inflation which ranged between

(-)2.6 to 3.1 per cent. The moderate inflation rate of less than 4 per cent was maintained for straight 8 months during the FY 2018-19 (Figure 1). The CPI-C inflation for the month of April 2019 stood at 2.9 per cent same as in March 2019 as compared to 4.6 per cent in April 2018.

4.4 **Food Inflation** in the country has been extremely benign. Even globally, food inflation has been moderate. Food inflation

based on Consumer Food Price Index (CFPI) declined to 1.8 per cent in 2017-18 from 4.2 per cent in 2016-17, 4.9 per cent in 2015-16 and 6.4 per cent in 2014-15. Average food inflation for the financial year 2018-19 declined to a low of 0.1 per cent. Food inflation stood at 1.1 per cent in April 2019 compared to 0.3 per cent in March 2019 and 2.8 per cent in April 2018. The food deflation in the second half of FY 2018-19 is mainly due to deflation in vegetables, fruits, pulses and products, sugar & confectionery and eggs, which together account for 13.1 per cent weight in overall CPI-C. Vegetables, which account for 6.04 per cent weightage in overall CPI-C, recorded deflation of 5.2 per cent during 2018-19. Pulses and products,

which account for 2.4 per cent weightage, too recorded deflation during FY 2018-19 at 8.3 per cent. Volatility in prices of pulses has been low. Amongst pulses, Moong has seen the least price fluctuation (Figure 2).

4.5 Food inflation based on Wholesale Price Index too declined over the last two financial years. It was over 0.6 per cent in 2018-19. The decline in WPI food inflation during 2018-19 is mainly due to deflation in pulses, vegetables, fruits and sugar, which together account for 5.2 per cent weight in the overall WPI basket. WPI food inflation was at 4.9 per cent in April 2019 as compared to 3.9 per cent in March, 2019 and 0.8 per cent in April 2018.

Table 2: Inflation in selected groups of CPI-Base 2012 (in per cent)

Description	Weights	2017-18	2018-19	Apr-18	Mar-19	Apr-19 (P)
All Groups	100	3.6	3.4	4.6	2.9	2.9
CFPI*	39.1	1.8	0.1	2.8	0.3	1.1
Food & beverages	45.9	2.2	0.7	3.0	0.7	1.4
Cereals & products	9.7	3.5	2.1	2.6	1.2	1.2
Meat & fish	3.6	3.2	4.0	3.6	6.5	7.5
Egg	0.4	3.6	2.3	6.2	1.4	1.9
Milk & products	6.6	4.1	1.8	3.2	0.8	0.4
Oils & fats	3.6	1.6	2.1	2.2	1.1	0.7
Fruits	2.9	4.6	2.3	9.7	-5.9	-4.9
Vegetables	6.0	5.8	-5.2	7.5	-1.5	2.9
Pulses & products	2.4	-21.0	-8.3	-12.3	-2.2	-0.9
Sugar & confectionery	1.4	6.1	-7.0	-4.1	-6.1	-4.0
Fuel & Light	6.8	6.2	5.7	5.2	2.3	2.6
CPI excl. food and fuel group (Core)	47.3	4.6	5.8	6.1	5.1	4.5

Source: CSO

P: Provisional

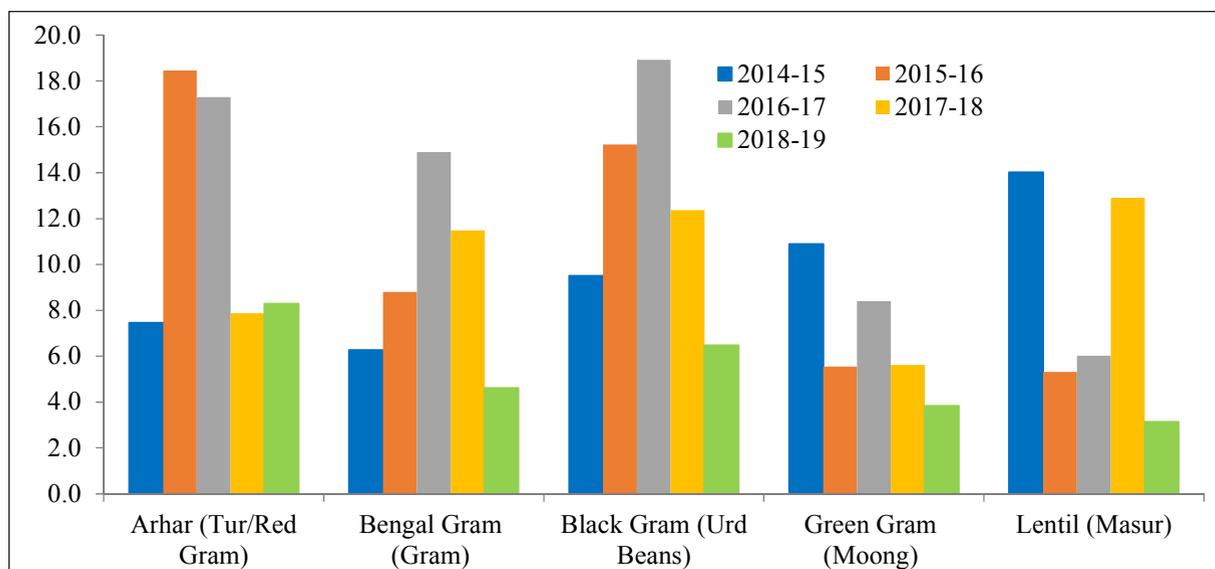
* Consumer Food Price Index

Table 3: Inflation in selected groups of WPI- Base 2011-12 (in per cent)

	Weight	2017-18	2018-19	Apr-18	Mar-19 (P)	Apr-19 (P)
All Commodities	100	3.0	4.3	3.6	3.2	3.1
Food Index	24.4	1.9	0.6	0.8	3.9	4.9
<i>Food articles</i>	<i>15.3</i>	<i>2.1</i>	<i>0.4</i>	<i>0.9</i>	<i>5.7</i>	<i>7.4</i>
Cereals	2.8	0.3	5.5	0.2	8.9	8.4
Pulses	0.6	-27.1	-9.4	-22.5	10.6	14.3
Vegetables	1.9	18.8	-8.2	-0.4	28.1	40.6
Fruits	1.6	5.0	-1.7	19.4	-7.6	-6.9
Milk	4.4	4.0	2.4	2.5	1.8	1.5
Egg, meat & fish	2.4	2.0	1.7	-2.0	5.9	6.9
<i>Food products</i>	<i>9.1</i>	<i>1.6</i>	<i>1.0</i>	<i>0.6</i>	<i>0.5</i>	<i>0.6</i>
Edible oils	2.6	2.2	7.5	11.2	-2.4	-5.0
Sugar	1.1	3.4	-10.7	-15.6	-2.2	5.1
Fuel & power	13.2	8.1	11.6	8.0	5.4	3.8
<i>Non-Food manufactured products (Core)</i>	<i>55.1</i>	<i>3.0</i>	<i>4.2</i>	<i>3.8</i>	<i>2.5</i>	<i>1.9</i>

Source: Office of the Economic Adviser, DPIIT

P: Provisional

Figure 2: Coefficient of variation of wholesale price of pulses (in per cent)

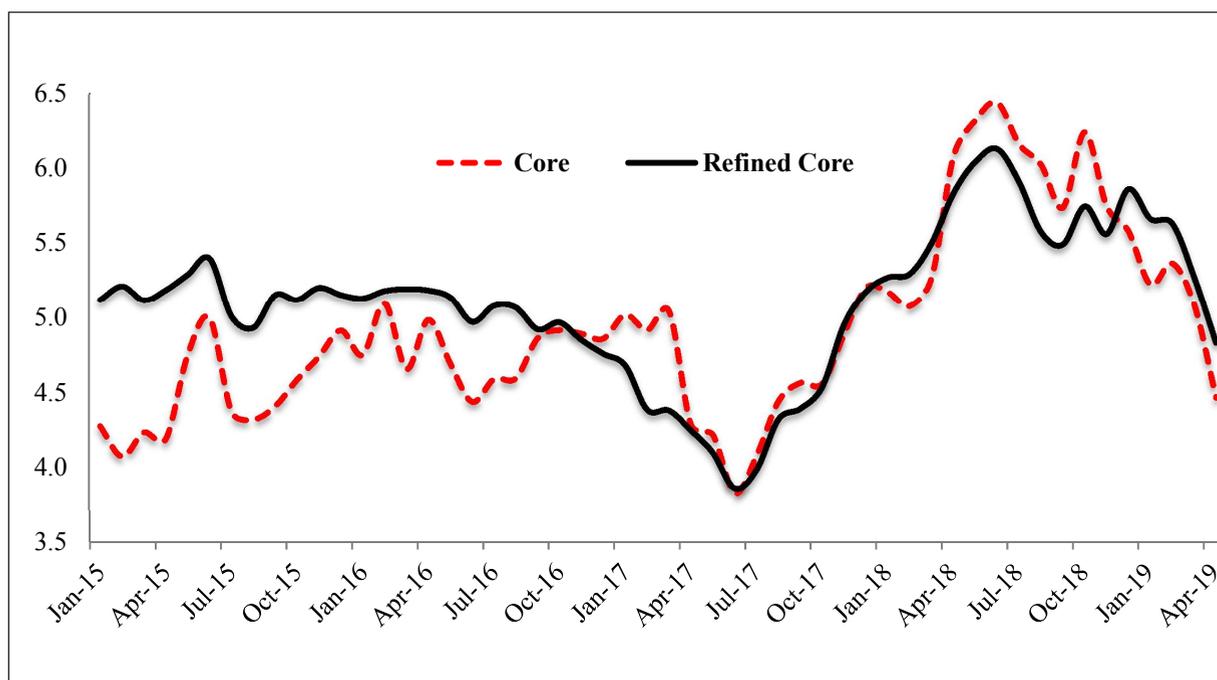
Source: Computed from Agmarknet data

4.6 **Core Inflation** corresponds to the component of inflation that is likely to continue for a long period. Thus, core inflation captures the underlying trend of inflation and is, therefore, more stable. Unlike the non-core component of inflation, core inflation is not affected by temporary shocks. In India, core inflation is generally measured by excluding highly volatile components from the headline inflation. By their very nature, food and fuel have been highly volatile. Therefore, we arrive at core inflation by removing food and fuel components from the headline inflation. As headline inflation exhibits volatility due to short run shocks, Central banks in many

countries focus on core inflation.

4.7 CPI-C based core inflation, which equals CPI excluding the food and fuel group, has remained above 4 per cent since the start of new series of CPI-C. Core inflation based on CPI-C increased to 5.8 per cent in 2018-19 from 4.6 per cent in 2017-18. However, it has declined from 5.7 per cent in November 2018 to 4.5 per cent in April 2019 (Figure 3). Refined core inflation, which equals CPI excluding food and fuel group, petrol & diesel, too has moved closely with core inflation; it was 5.7 per cent in 2018-19 as compared to 4.6 per cent in 2017-18 and stood at 4.8 per cent in April 2019.

Figure 3: CPI-C based Core Inflation (in per cent)



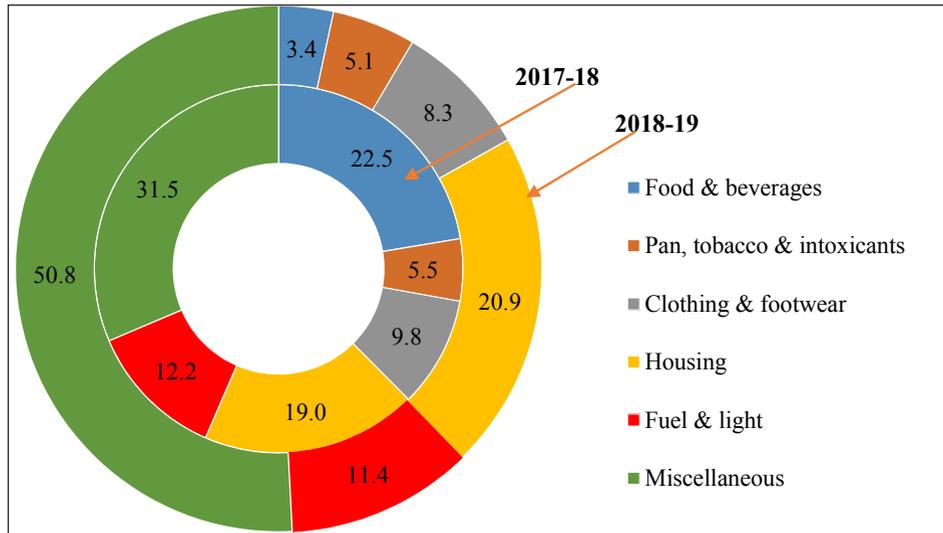
Source: Computed from CSO data

DRIVERS OF INFLATION

4.8 At the all India level, CPI-C inflation during FY 2018-19 was driven mainly by miscellaneous group followed by housing as well as fuel and light group (Figure 4). As can be seen in Figure 5, goods inflation,

which accounts for a weight of 76.6 per cent in CPI-C, was 2.6 per cent during FY 2018-19 as compared to 3.2 per cent during FY 2017-18. In contrast, services inflation, which accounts for a weight of 23.4 per cent, was 6.3 per cent during FY 2018-19 when compared to 5.0 per cent during 2017-18.

Figure 4: Contribution to CPI - Combined inflation 2017-18 and 2018-19 (Share in per cent)

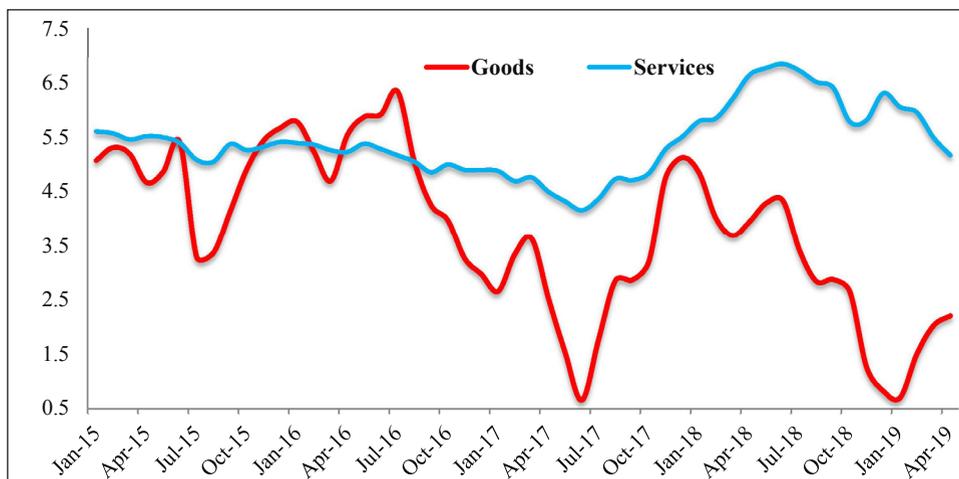


Source: Computed from CSO data

4.9 Services inflation has been higher than goods inflation and the gap between the two is growing (Figure 5). In recent times, services inflation has influenced headline inflation as it has contributed more than its weight (Figure 6). 40 items of services account for 23.37 per cent weight in CPI-C. Housing has the highest weight amongst services which is (10.07 per cent), followed by transport and communication (4.59 per cent), education

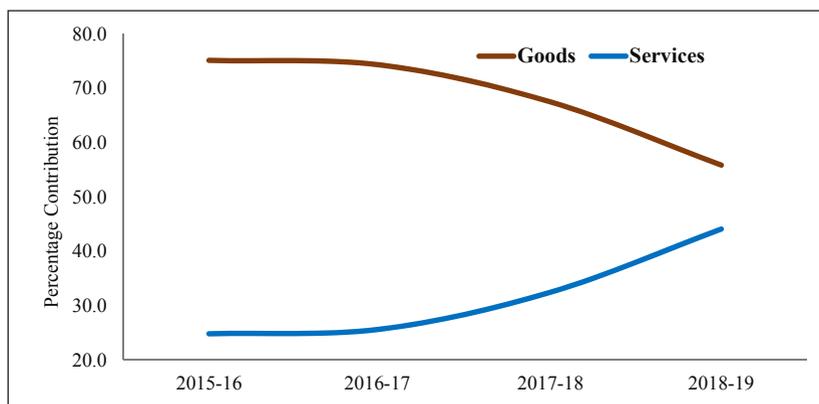
(3.51 per cent) and health (1.82 per cent) (Table 4). Contribution of health, education, transport and communication in driving services inflation has gained prominence across rural and urban areas (refer to Figures 7 to 11). Inflation in health is more prominent in rural than urban areas probably owing to supply side constraints. Box 1 presents the inflation dynamics of education, health and transport components of services.

Figure 5: CPI inflation in goods and services (in per cent)



Source: Computed from CSO data

Figure 6: Contribution of Goods and Services in Headline CPI Inflation



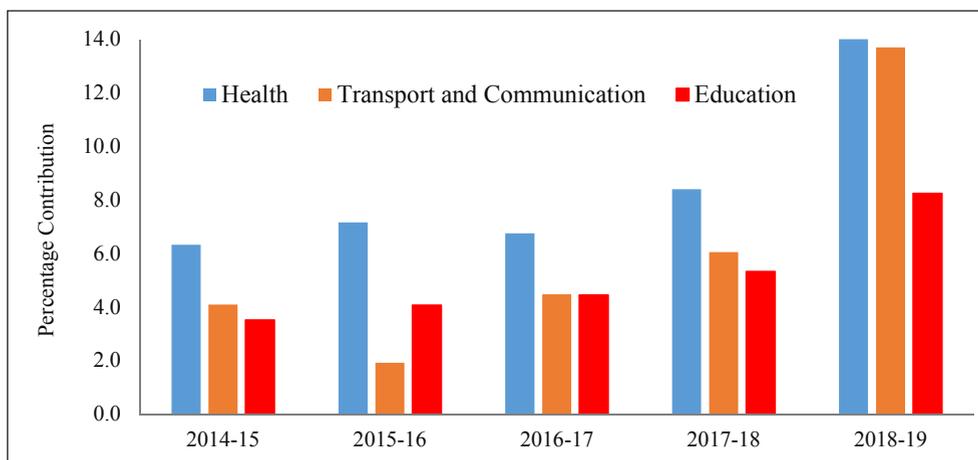
Source: Computed from CSO data

Table 4: Break up of CPI-C in Goods and Services by ‘weight’ and ‘items’

Description	Total		Goods		Services	
	Weight	Item	Weight	Item	Weight	Item
Housing	10.07	4			10.07	4
Transport and communication	8.59	21	4.00	8	4.59	13
Education	4.46	5	0.95	2	3.51	3
Health	5.89	7	4.07	3	1.82	4
Recreation and amusement	1.68	17	0.59	9	1.10	8
Household goods and services	3.80	48	2.93	44	0.88	4
Personal care and effects	3.89	16	3.34	15	0.55	1
Clothing	5.58	22	5.06	20	0.51	2
Cereals and products	9.67	20	9.35	19	0.32	1
Others	46.37	139	46.34	139	-	-
All Groups	100	299	76.63	259	23.37	40

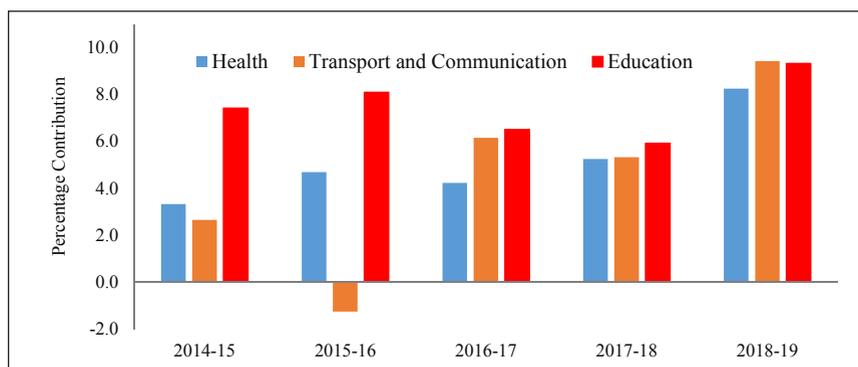
Source: Compiled from CSO data

Figure 7: Percentage Contribution of Health, Education and Transport & Communication in CPI-Rural inflation



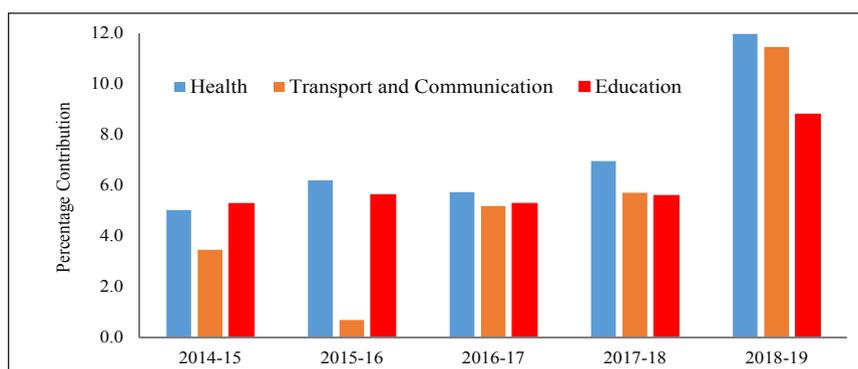
Source: Computed from CSO data

Figure 8: Percentage Contribution of Health, Education and Transport & Communication in CPI-Urban inflation



Source: Computed from CSO data

Figure 9: Percentage Contribution of Health, Education and Transport & Communication in CPI-Combined inflation



Source: Computed from CSO data

RURAL – URBAN INFLATION

4.10 The current phase of low inflation is also marked by reduction in both urban and rural inflation. However, the trend of lower urban inflation when compared to rural inflation seems to be getting moderated/reversed in the financial year 2018-19. The decline in rural inflation is steeper than that of urban inflation since July 2018, resulting in decline in headline inflation. Fall in rural inflation is due to moderation in food inflation, which has been negative for the last six months (October

2018 to March 2019). The importance of food in determining rural inflation has been declining over the years. In contrast, the role of miscellaneous category i.e. services in determining rural inflation has increased (Figure 10).

4.11 Miscellaneous group was the main driver of CPI (Rural) inflation in 2018-19, contributing more than 70 per cent to the overall rural inflation. In urban areas, miscellaneous group and housing have contributed to inflation in equal measure during FY 2018-19 (Figure 11).

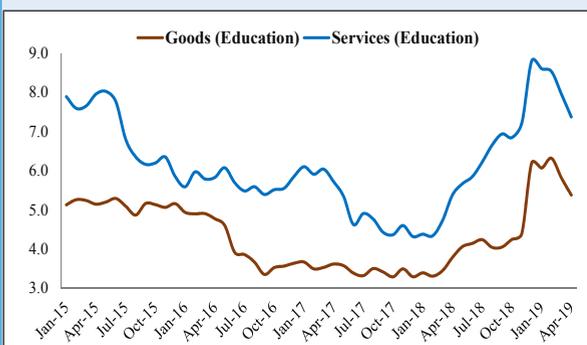
Box 1: Analysis of Components of Services Inflation

I. Education

Education with weight of 4.46 per cent in the Combined CPI is spread over 5 items. Of these five items, two items i.e. ‘books, journals: first hand’ and ‘stationery, photocopying charges’ are goods with weight of 0.95 per cent. The remaining three items i.e. ‘tuition and other fees (school, college, etc.)’, ‘private tutor/ coaching centre’ and ‘other educational expenses (incl. fees for enrollment in web-based training)’ with weight of 3.51 per cent belong to services. Analysis of monthly Combined CPI data since January 2015 shows that goods components are witnessing lower inflation than the services (Figure 1). Inflation of ‘private tutor/ coaching centers’ and ‘tuition and other fees (school, college, etc.)’ has risen during 2018-19.

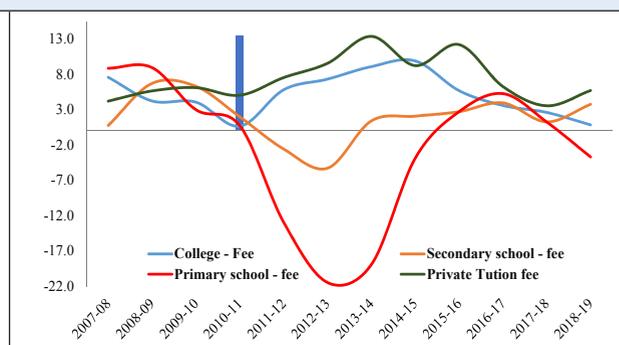
To analyze the inflation dynamics of ‘education’ sub-group over a longer period, we have used the CPI for Industrial Workers. Figure 2 below depicts the services component of education sub-group under CPI-IW. Inflation of ‘primary school-fee’ started declining from 2010-11 and bottomed out at (-)21.5 per cent in 2012-13. Secondary school-fee also shows decline in inflation during the period from 2009-10 to 2012-13. As opposed to ‘school fee’ which declined or rose marginally during 2009-10 to 2014-15, ‘college fee’ and ‘private tuition fee’ rose during this period. In recent years, these components of education have seen moderate inflation. The sharp decline in ‘primary school-fee’ inflation may be possibly due to the enactment of Right to Education Act (RTE) in 2010.

Figure 1: Inflation based on CPI-C for Education Sub-group by goods & services (in per cent)



Source: Computed from CSO data

Figure 2: Inflation based on CPI-IW for items under Education, Recreation & Amusement Sub-group (in per cent)



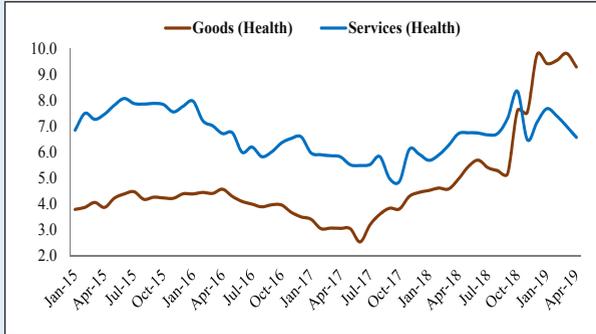
Source: Computed from Labour Bureau data

II. Health

Health with weight of 5.89 per cent in the Combined CPI is spread over seven items. Of these seven items, three items i.e. ‘medicine (non-institutional)’, ‘family planning devices’ and ‘spectacles’ are goods with weight of 4.07 per cent. The remaining four items i.e. ‘hospital & nursing home charges’, ‘other medical expenses (non-institutional)’, ‘doctor’s/ surgeon’s fee-first consultation (non-institutional)’ and ‘X-ray, ECG, pathological test, etc. (non-institutional)’ with weight of 1.82 per cent belong to services.

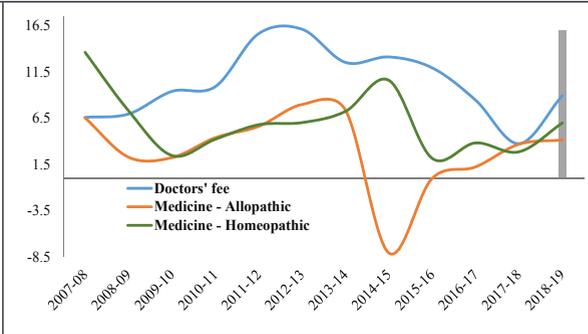
Services components of health are witnessing higher inflation than the goods embedded into it. However, in the last few months, trend seems to have reversed (Figure 3).

Figure 3: Inflation based on CPI-C for Health Sub-group by goods & services (in per cent)



Source: Computed from CSO data

Figure 4: Inflation based on CPI-IW for items under Medical Care Sub-group (in per cent)



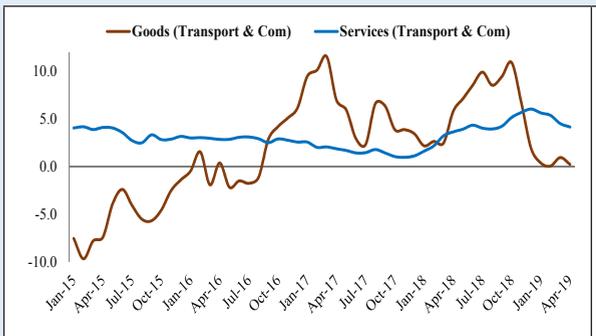
Source: Computed from Labour Bureau data

III. Transport and Communication

Transport and Communication, with a weight of 8.59 per cent in the Combined CPI, is spread over twenty-one items. Of these twenty-one items, eight items i.e. ‘motor car, jeep’, ‘motor cycle, scooter’, ‘bicycle (without accessories)’, ‘tyres & tubes’, ‘petrol for vehicle’, ‘diesel for vehicle’, ‘lubricants & other fuels for vehicle’ and ‘mobile handset’ are goods with weight of 4.0 per cent. The remaining thirteen items i.e. ‘other conveyance expenses’, ‘railway fare’, ‘bus/tram fare’, ‘taxi, auto-rickshaw fare’, ‘rickshaw (hand drawn & cycle) fare’, ‘horse cart fare’, ‘school bus, van, etc.’, ‘air fare (normal): economy class (adult)’, ‘steamer, boat fare’, ‘porter charges’, ‘telephone charges: landline’, ‘telephone charges: mobile’ and ‘internet expenses’ with weight of 4.59 per cent belong to services.

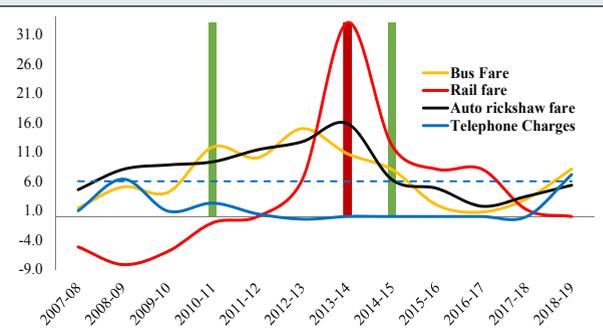
Within ‘transport & communication’, on an average, services components are witnessing higher inflation than goods. However, volatility is more for goods than for services (Figure 5). Analysis of CPI-IW data indicates that inflation of ‘telephone charges’ has remained quite stable over the years (Figure 6). Inflation for ‘bus fare’ and ‘auto rickshaw fare’ remained above 6 per cent between FY 2009-10 to 2014-15 mainly due to high oil prices. The fall in inflation of ‘bus fare’ and ‘auto rickshaw fare’ since 2014-15 onwards can be attributed to moderation in crude oil prices and deregulation of diesel prices in October 2014. The sudden rise in inflation of ‘rail fare’ in 2013-14 is due to a steep rise in rail fare.

Figure 5: Inflation based on CPI-C for Transport & Communication Sub-group by goods & services (in per cent)



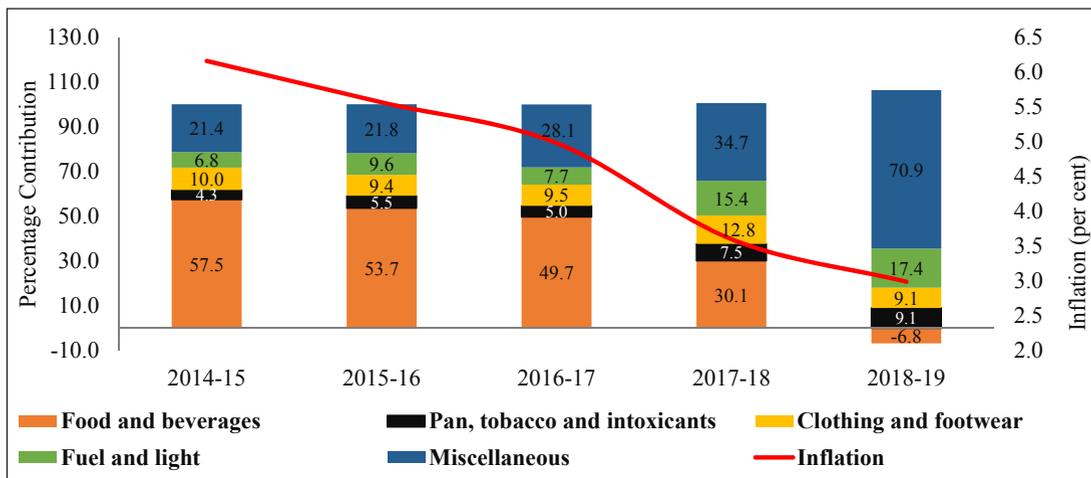
Source: Computed from CSO data

Figure 6: Inflation based on CPI-IW for items under Transport & Communication Sub-group (in per cent)



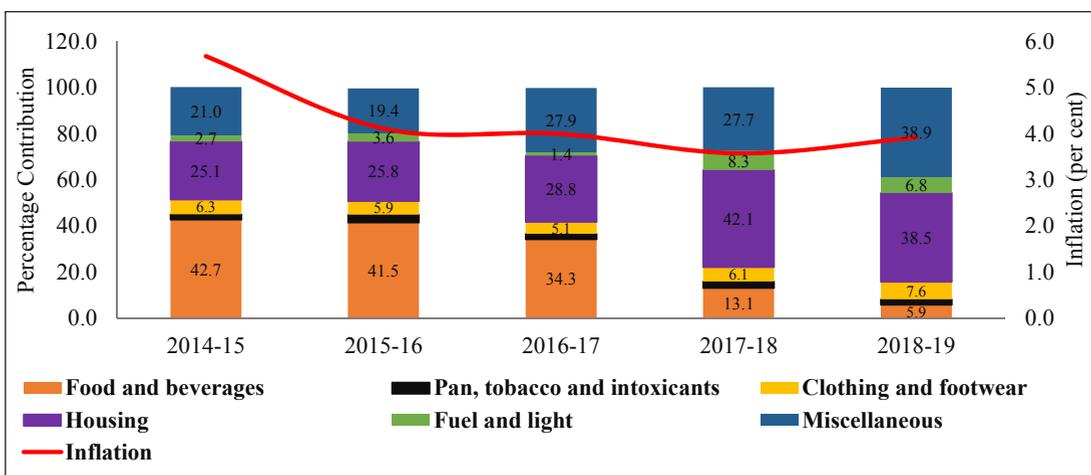
Source: Computed from CSO data

Figure 10: Contribution of different groups in CPI - Rural Inflation



Source: Computed from CSO data

Figure 11: Contribution of different groups in CPI - Urban Inflation



Source: Computed from CSO data

Box 2: Housing Price Index

I. NHB RESIDEX

The Housing Price Indices (HPIs) are a broad measure of movement of residential property prices observed within a geographical boundary. The first official housing price index for the country named ‘NHB RESIDEX’ was launched in July 2007 by the National Housing Bank. Over time, the base year has been revised to FY 2017-18 to capture the latest information and to accurately reflect the current economic situation in the country.

Currently, National Housing Bank publishes NHB RESIDEX for 50 cities on a quarterly basis with FY 2017-18 as the base year. Among the 50 cities covered are 18 State/UT capitals and 33 are part of the smart city list released by Government of India. The indices are computed using the Laspeyres methodology and a four quarter weighted moving average.

HPI at Assessment Prices is computed using lenders’ valuation data received from Banks/ Housing Finance Companies (HFCs), while HPI at Market Prices for under construction properties is based on primary market data for under construction properties collected from developers, builders and brokers. NHB also publishes Composite HPI at Assessment and Market Prices based on 50 cities indices. The composite indices are derived by applying population weights to city level indices.

The rate of growth in housing prices for Composite HPI at Assessment Prices is shown in Figure 1. Figure 2 shows the trend in housing prices for under construction properties at market prices.

Figure 1: Growth rate based on Composite HPI at Assessment Prices (in per cent)

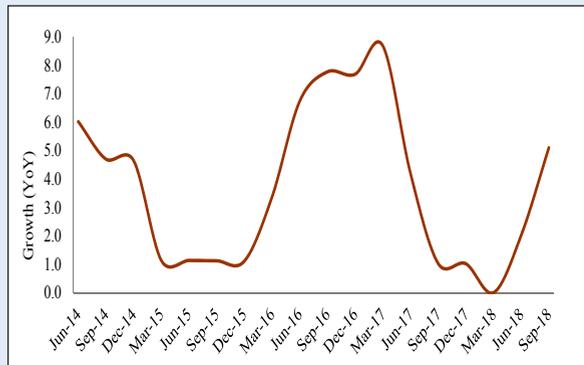
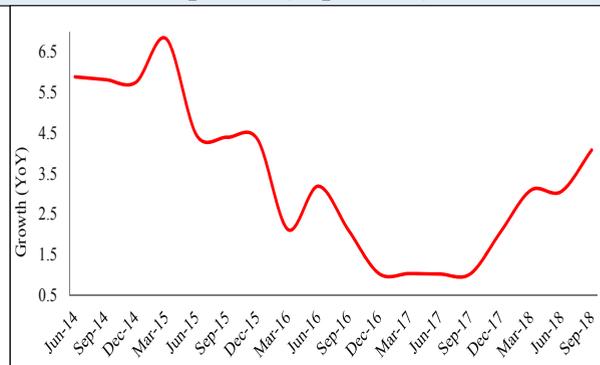


Figure 2: Growth rate based on Composite HPI at Market Prices for Under Construction Properties (in per cent)



II. HPI (RBI)

The Reserve Bank of India (RBI) began compiling a House Price Index (HPI) in 2007 with a quarterly HPI for Mumbai city (Base 2002-03=100). Since then, it has extended its coverage to nine more cities, revised its base to 2010-11=100, and started publishing a composite All India HPI. RBI’s quarterly HPI is based on transactions data received from housing registration authorities in ten major cities. Growth (YoY) in housing prices shows a downward trend (refer to Figure 3).

Figure 3: HPI Growth rate based on RBI’s All-India HPI (in per cent)



STATE-WISE INFLATION

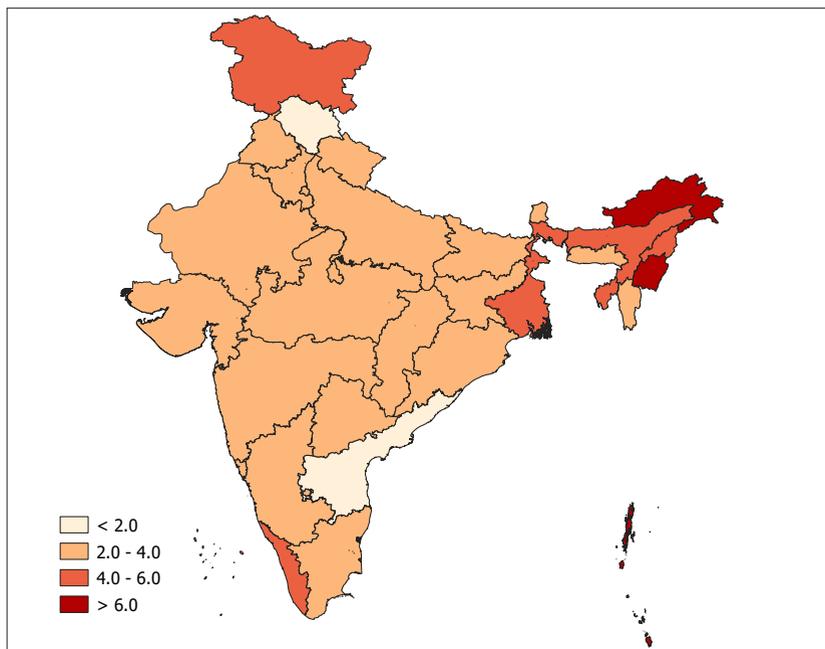
4.12 Many States have witnessed fall in CPI inflation during 2018-19. Inflation in twenty-three States/Union Territories (UTs) was below 4 per cent in FY 2018-19 (Figure 12). Inflation ranged between (-)1.9 per cent to 8.9 per cent across States in FY

2018-19 compared to 1.5 per cent to 12.4 per cent in FY 2017-18 (Figure 13). Sixteen States/UTs had inflation rate lower than All India average for FY 2018-19 with Daman & Diu having the lowest inflation followed by Himachal Pradesh and Andhra Pradesh.

4.13 In rural areas, among major States/UTs, sixteen States had recorded inflation of less than 4 per cent in FY 2018-19 as compared to thirteen in FY 2017-18 (Figure

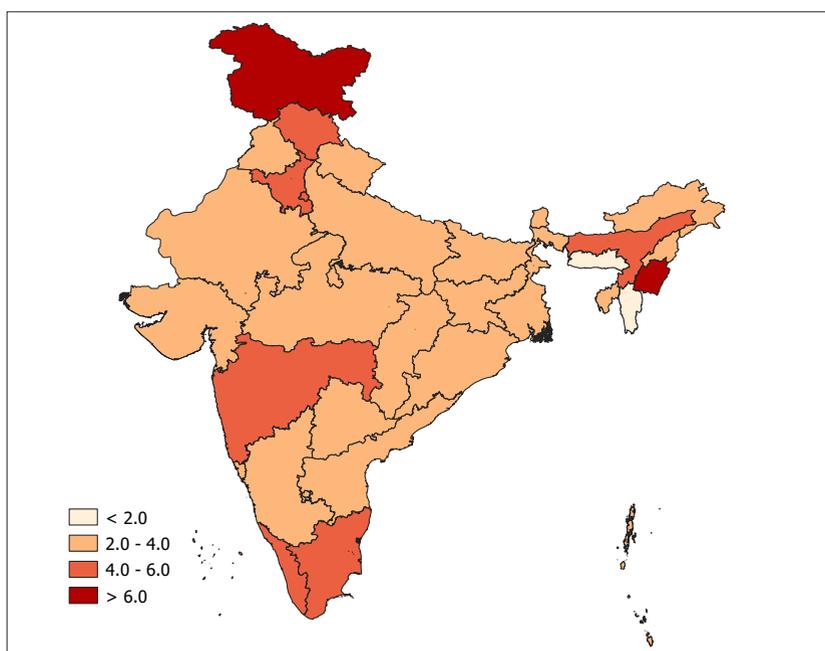
14). However, in the case of urban areas, nine States recorded inflation of less than 4 per cent in FY 2018-19 as against fifteen in 2017-18 (Figure 15).

Figure 12: CPI inflation 2018-19 (in per cent)



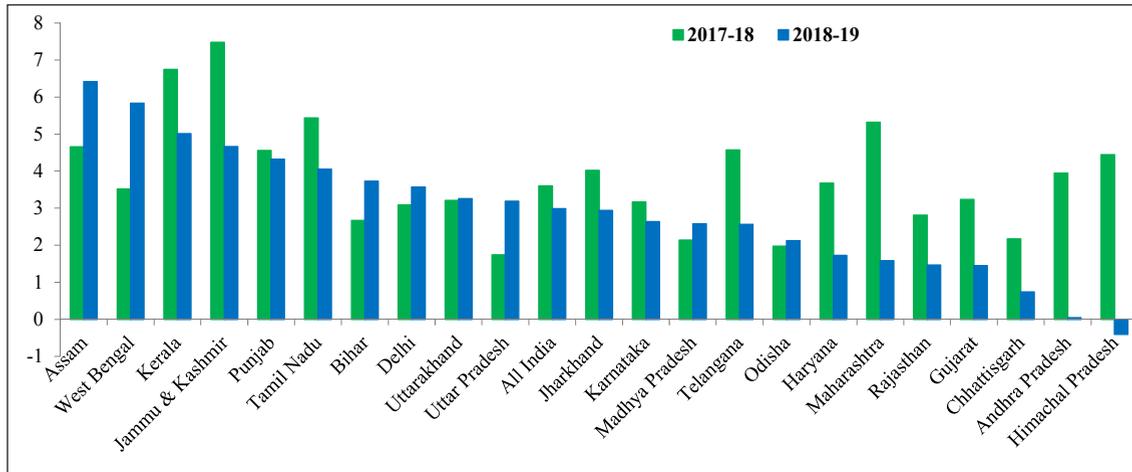
Source: Computed from CSO data

Figure 13: CPI inflation 2017-18 (in per cent)



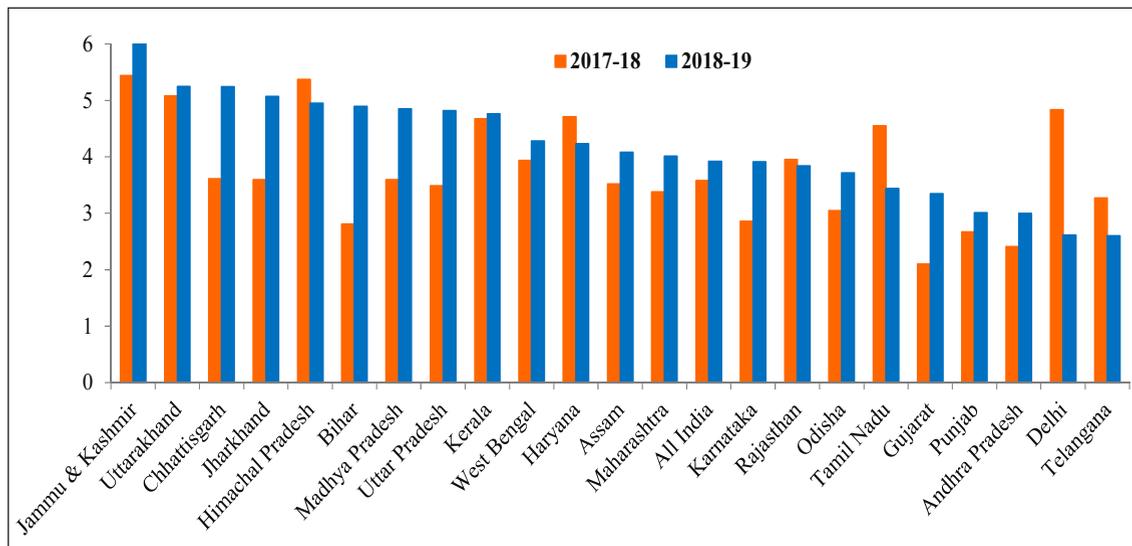
Source: Computed from CSO data

Figure 14: CPI (Rural) Inflation for Major States/ Union Territories (in per cent)



Source: Computed from CSO data

Figure 15: CPI (Urban) Inflation for Major States/ Union Territories (in per cent)



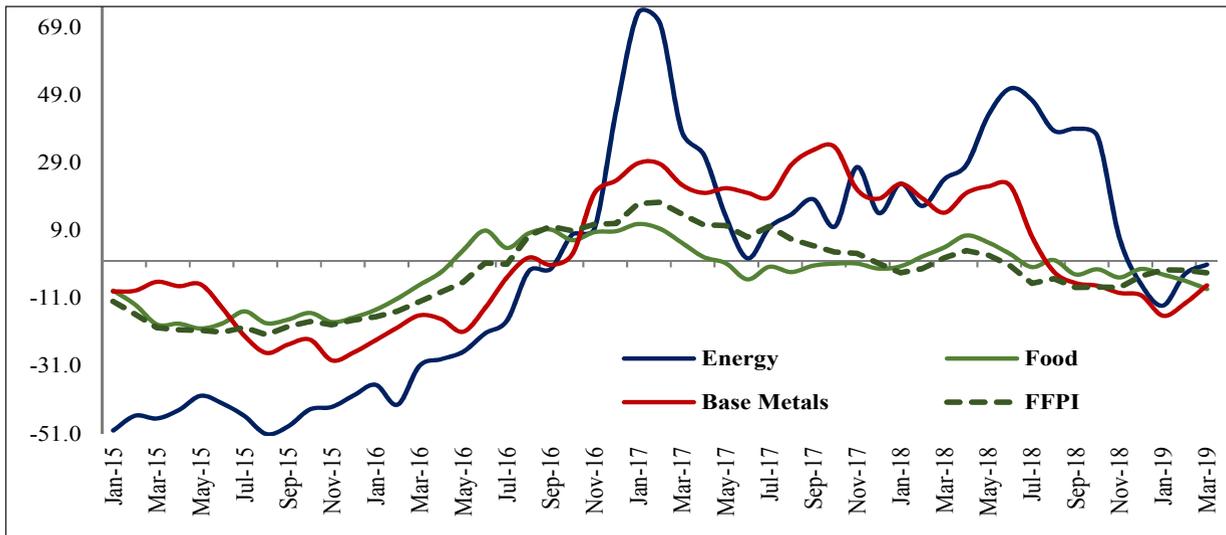
Source: Computed from CSO data

TRENDS IN GLOBAL COMMODITY PRICES

4.14 As per the commodity prices published by the World Bank, energy commodity prices have continued their increasing trend in FY 2018-19. These recorded average inflation of 22.1 per cent in 2018-19 as compared to 16.8 per cent in 2017-18 (Figure 16). Movement

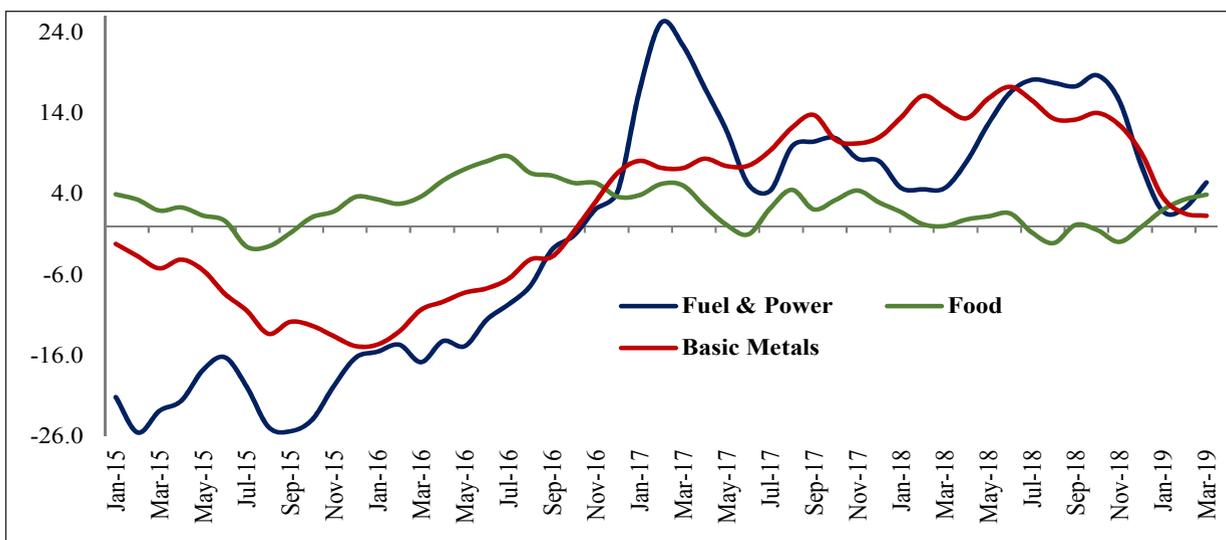
of ‘Fuel & Power’ inflation based on All India WPI tracks World Bank Energy price index; it increased at an average of 11.5 per cent in FY 2018-19 when compared to 8.1 per cent in FY 2017-18. Both World Bank food prices as well as Food and Agriculture Organization (FAO) food prices recorded deflation during FY 2018-19. WPI based food inflation too declined during 2018-19 (Figure 17).

Figure 16: Inflation based on World Bank Price Indices and FAO Food Price Index (FFPI) (in per cent)



Source: Computed from World Bank and FAO data

Figure 17: Inflation based on WPI (in per cent)



Source: Computed from Office of the Economic Adviser, DPIIT data

EFFORTS TO CONTAIN INFLATION

4.15 Central Government monitors the price situation on a regular basis as controlling inflation remains a key area of policy focus. Government has taken a number of measures to control inflation especially food inflation. *Inter alia*, the measures taken include both general measures and specific measures.

4.16 The following general measures are being taken to control inflation. First, advisories are being issued, as and when required, to State Governments to take strict action against hoarding & black marketing, especially for commodities in short supply. These measures are taken to effectively enforce the Essential Commodities Act, 1955 & the Prevention of Black-marketing and Maintenance of Supplies of Essential

Commodities Act, 1980. Second, regular review meetings on prices and availability of key commodities are held at the highest level, including at the level of Ministers, Committee of Secretaries, Inter Ministerial Committee, Price Stabilization Fund Management Committee (PSFMC), and other Departmental level review meetings to take stock of the prevailing price and availability situation and recommend appropriate policy intervention. Third, higher Minimum Support Price (MSP) for pulses and other crops has been announced so as to incentivize production and thereby enhance availability of food items, which may help moderate prices. And finally, Government has set up Price Stabilization Fund (PSF) for procurement of agri-horticultural commodities including potatoes, onions and pulses for its release during lean period to improve availability and moderate their prices.

4.17 The specific measures taken by the Government include the following. First, during lean periods of 2017-18 and 2018-19, to control the rise in onion prices, onions were released at reasonable prices from the stock procured under PSF. Second, pulses from the buffer are utilized for strategic

market intervention for price management, meeting institutional requirements like supplies to State Governments/UTs for Mid-Day Meal Scheme (MDM), Integrated Child Development Services (ICDS) Scheme, and Public Distribution System (PDS), and through Open Market Sale, etc. In addition, pulses from the buffer are being utilized to meet the requirement of Army and Central Para-Military Forces. Third, prohibition on export has been withdrawn in April 2018 on all varieties of edible oils, except mustard oil. Export of mustard oil in branded consumer packs of up to 5 kgs is permitted with a Minimum Export Price (MEP) of United States Dollar (USD) 900 per million ton (MT). Finally, the order empowering States/UTs to impose controls including Stock Limits on Edible Oils and Edible Oilseeds has been withdrawn vide Notification dated June 13, 2018.

CONCLUSION

4.18 FY 2018-19 saw low headline as well as food inflation. The year witnessed deflation in prices of pulses, vegetables and sugar. Core inflation averaged higher than the previous year.

CHAPTER AT A GLANCE

- Headline inflation based on CPI-C continued its declining trend for fifth straight financial year. It has remained below 4.0 per cent in the last two years.
- Food inflation based on Consumer Food Price Index (CFPI) too declined over the last five years, and has remained below 2.0 per cent for the last two consecutive years.
- CPI-C based core inflation (CPI excluding the food and fuel group) increased during FY 2018-19 as compared to FY 2017-18. However, it has started declining since March 2019.
- Main contributors of headline inflation based on CPI-C during FY 2018-19 are miscellaneous, housing, and fuel and light groups. Relative importance of services in shaping up headline inflation has increased.
- CPI rural inflation declined during FY 2018-19 over FY 2017-18. However, CPI urban inflation increased marginally during FY 2018-19. Many States witnessed fall in CPI inflation during FY 2018-19.