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CREDIT RATING AGENCY

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CPI INFLATION IN DECEMBER 2024 - SOME SIGNIFICANT ASPECTS IMPACTING THE DECISION - MAKING MATRIX

13 January 2025

In line with our expectations, India's retail inflation tempered from 5.5 % in November 2024 to 5.2 % in December 2024 because of a fall in vegetable prices, particularly tomatoes, onions, and potatoes on buoyant mandi arrivals. The evolving inflationary scenario was also influenced by positive global cues and stable edible oil prices.



RBI's February 2025 Policy

Given the macroeconomic scenario of decelerating GDP growth and inflation coming under some control, it stands to reason that a 25 basis points rate cut to 6.25 % by the RBI is on in the February 5-7, 2025, MPC Statement.

Household Savings and Household Expenditure - Emerging Contours

The household savings have been declining on a secular basis because inter-alia of the inflationary spiral, unattractive rate of interest on deposits, alternative mechanisms of deployment of investible funds, such as, mutual funds, the stock market and other asset classes, for example, real estate and gold.

Hence, we do not see any immediate uptick in household savings since it is a function of various forces and factors.

There could be some rise in household expenditure because of falling inflation, likely thrust on consumption, including direct and indirect tax concessions in the forthcoming Union Budget on February 1, 2025 and the 25 bps cut in the Repo Rate expected on February 7, 2025 by the RBI. These three set of measures in quick succession in the space of about three weeks will raise disposable income to a limited extent. provide a measure of relief to the common man and boost daily expenditure to some extent.