

A Recent Study on Inflation in India

Why in News?

A recent report of SBI shows that the migration of labour from low-income states to high income states in search of employment opportunities is resulting in higher inflation in high income States in the South such as Kerala and Tamil Nadu.

- **State-wise analysis - High-inflation states** - Among all 35 states/UTs during the period FY13 and FY25 **Tamil Nadu inflation** is higher than all India inflation for 9 years out of the last 13 years.
- Among the States, **Kerala** clocked the highest inflation rate of **7.3% in Feb**, followed by Chhattisgarh 4.9%.
- **Low-inflation states**- Gujarat and Punjab has lower inflation than all India inflation for 9 years from the last 13 years.
- Northeast and Western regions have had lowest inflation against higher inflationary trends displayed by Southern and Eastern region.
- The region wise analysis of retail prices shows that southern states display **a higher trend in prices** for items like vegetables, cereals and most of the pulses.
- Primary trends suggest higher taxes levied on petrol/diesel, liquor, as also registration charges for automobiles and flats by the Southern states could be the driver of higher inflations.
- Going by the share of sales tax collection by states, Southern states hold the highest share, followed by Northern region.
- India's Consumer Price Index (CPI) inflation moderated to 7-month low in Feb'25 due to easing in food and vegetable prices, inflation in bigger states continued to outstrip the all-India inflation rate of the same month.
- **Higher Rural inflation** - There are 9 States among major states, where inflation in rural areas is higher than the all-India rural inflation. Similarly, there are 8 States where urban inflation is higher than all India urban inflation.
 - **Reason-** Higher food prices and the rural basket of food items weight is higher than the urban weights.
- **Compound Annual Growth Rate (CAGR)** - High income states have an average food inflation CAGR% of 5.26%, above national level CAGR% of 5.18 from FY14.
- Middle income group have an average CAGR% of 5.03% - and lower-income group's average CAGR is at 4.95% during the same period.
- This shows the purchasing power of higher income groups has higher inflation.

Reference

[The Hindu - SBI study on Inflation](#)



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