

CASE STUDY

INFLATION

Case Study: India has witnessed varied inflationary trends over the years, influenced by global factors, domestic policies, and supply-demand dynamics. Recently, inflation in India has been driven by rising food and fuel prices. The Consumer Price Index (CPI) has surged due to erratic monsoons affecting agricultural output, disruptions in global oil supply, and a depreciating rupee.

The Reserve Bank of India (RBI) has adopted several measures, including increasing the repo rate to control inflation. However, the impact of inflation has been uneven across economic entities. Fixed-income groups face declining purchasing power, while producers in some sectors benefit from higher prices. Debtors find it easier to repay loans as money loses its value over time. Conversely, creditors face real losses due to inflation.

The government has also introduced supply-side reforms to stabilize prices, such as encouraging food storage facilities and reducing import tariffs on essential commodities. Despite these measures, inflation remains a significant challenge for policymakers.

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