

#MONEY NEWS

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## Indian retail inflation likely hit a 17-month high in December: Reuters poll

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BENGALURU (Reuters) - India's retail inflation likely rose to a 17-month high in December, a Reuters poll showed, and that could push the central bank to tighten monetary policy.



Shoppers walk past a store at a mall in Mumbai, India, July 10, 2017. Picture taken July 10, 2017.

REUTERS/Danish Siddiqui/File Photo

of nearly 10 economists over the past week.

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The December inflation data is due to be released on Friday, Jan. 12 at 1200 GMT.

Factors that indicate higher December inflation are increased prices for some foods and the impact of higher pay for government employees.

In December, the Reserve Bank of India held its policy rate and reiterated a neutral stance but said that “all possibilities are on the table” depending on how price pressures and growth pan out.

For the six months through March, the RBI slightly raised its inflation projection - already above its 4 percent medium-term target - to 4.3-4.7 percent.

“The uptrend seen in food inflation in recent months appears to have sustained in December,” said Abhishek Upadhyay, economist at ICICI Securities PD.

While vegetable prices likely dropped moderately last month, a pay revision in July last year for government employees probably pushed up demand and inflation. The maximum impact of the pay revision was expected to have come in December.

Allowances made earlier for government employees “will continue to exert pressure on consumer inflation, which will remain at an elevated level for the rest of the (current fiscal) year,” said Madan Sabnavis, chief economist at CARE Ratings.

The wholesale price index likely rose marginally to 4.00 percent in December from November’s 3.93 percent, the poll found.

Industrial production was probably 4.4 percent higher in November than a year earlier, after increasing 2.2 percent in October, the poll also showed.

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