

Indian retail inflation likely hit a 17-month high in December

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Bengaluru: 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.

After November's 15-month high of 4.88 per cent, consumer price inflation likely climbed to 5.10 per cent, which would be the highest since July 2016, according to the median in the poll of nearly 40 economists over the past week.

The December inflation data is due to be released on Friday, January 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 per cent medium-term target - to 4.3-4.7 per cent.

"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 per cent in December from November's 3.93 per cent,