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# June wholesale inflation cools to 11-month low

BY KIRTIKA SUNEJA, ET BUREAU | UPDATED: JUL 15, 2017, 01.21 AM IST

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NEW DELHI: Wholesale **inflation** eased to the slowest in 11 months in June, boosting hopes of an interest rate cut as it comes after the pace of price rise at the retail level fell to a multiyear low and good monsoon rains indicated that food prices would remain benign.

Inflation, as measured by the **Wholesale Price Index (WPI)**, slowed to 0.9 per cent in June from 2.17 per cent in May, data from the commerce and industry ministry showed on Friday.

On Wednesday, government data showed consumer inflation rate falling to its lowest in at least five years in June, on the back of softer food prices.

"There is a two-third probability that the RBI will cut policy rate by 25 bps (or quarter of a percentage point) in its August 2017 monetary policy," said Devendra Kumar Pant, chief economist at India Ratings & Research.

"The decline in the **WPI inflation** in June 2017 reinforces our expectation that the MPC (Monetary Policy Committee of the central bank) will reduce the repo rate by 25 bps in their August 2017 meeting, in a split vote," said Aditi Nayar, principal economist at ICRA. Industry, too, asked for a rate cut with lobby groups CII and Ficci suggesting a half percentage point reduction in interest rate at the August 2 monetary policy review.

## Broad-based decline

**Wholesale food prices** fell 3.47 per cent in June, compared with a 2.27 per cent drop in May. Inflation in pulses, vegetables and potatoes declined the most, but that in eggs, meat and fish accelerated to 1.92 per cent from 1.02 per cent in May.



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"The subdued WPI inflation in June 2017 reflects the weak trends being displayed by various food items and commodities," Nayar said. Declining global crude oil prices helped contain fuel and power inflation to 5.28 per cent in June from 11.69 per cent the previous month.

"With a favourable turnaround of monsoon, we can expect further easing in the wholesale inflation in the upcoming months. Falling global oil prices could also aid in lower inflation numbers going ahead," CARE Ratings said in a note.

However, it said the implementation of GST was upside risk that could increase prices of certain commodities. WPI in manufactured products, which has a 64.23 per cent weight in the index, fell to 2.27 per cent in June from 2.55 per cent in May.

## Rising WPI no threat

Experts expect WPI inflation to rise modestly over the coming months. ICRA pegs it between 1.5 per cent and 2.5 per cent, unless commodity prices record an unexpected rally, or the rupee displays a sharp depreciation.

"We are expecting the WPI inflation to remain in the range of 3-4 per cent by the end of the fiscal year," CARE Ratings said. Pant said



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while deflation in food prices is likely to slow down in July due to cyclical weather-related factors, in the absence of strong demand conditions, it is unlikely that the WPI inflation will pose a threat.

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