

Retail inflation hits 3-month low at 6.7% on cheaper food

WELCOME NEWS. Wholesale inflation at 19-month low as global commodity prices ease

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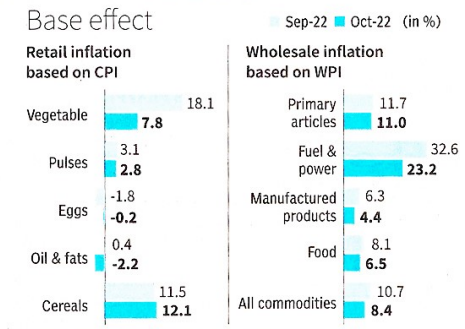
In relief for the government and the RBI, retail and wholesale inflation declined in October, government data released on Monday said.

Retail inflation based on the Consumer Price Index (CPI) dropped to three-month low of 6.77 per cent in October down from 7.41 per cent in September.

Wholesale inflation based on the Wholesale Price Index (WPI) dropped to a 19-month low of 8.39 per cent in October down from 10.7 per cent in September. Still, experts expect the Monetary Policy Committee (MPC) to go for another policy interest rate hike in December which will mean interest rates on loans will go up further. This is the 10th month in a row that retail inflation is above the psychological level of 6 per cent.

FOOD INFLATION DOWN

The Finance Ministry said the significant decline in retail inflation is mainly due to



a dip in food prices. Consumer Food Price Inflation moderated significantly in October to 7.01 per cent from 8.6 per cent in September. The decline in prices of vegetables, fruits, pulses, oils and fats contributed significantly to containing the food inflation.

“The government has taken trade-related measures on wheat and rice to keep domestic supplies steady and curb the rise in prices. The impact of these measures is expected to be

felt more significantly in the coming months,” the Ministry said in a series of tweets.

Rajni Sinha, Chief Economist with Care Ratings, said the moderation in headline is primarily led by a strong base. Going forward, with the base effect kicking in, “we can expect the inflation numbers to moderate gradually. The easing of global commodity prices and domestic WPI inflation is also supportive of the moderation in CPI. However,

producers may not fully pass on the benefits of easing commodity prices to the final consumers in the near-term. We expect the RBI to be less hawkish in its upcoming December policy meet and go for a 35 basis point rate hike,” she said.

Aditi Nayar, Chief Economist with ICRA, felt that the near-term inflation outlook is clouded by a few risks such as the recent sequential rise in prices of global commodities, supply disruptions for perishables owing to excess rains, and a robust demand for services. Nevertheless, a high base is expected to aid in further softening the CPI inflation year-on-year to 6 per cent in November.

WHOLESALE INFLATION

Giving reasons about the fall in wholesale inflation, the government said it can be primarily attributed to the fall in the price of mineral oils, basic metals, fabricated metal products (except machinery and equipment), textiles; and other non-metallic mineral products, minerals.