

At 4.8%, inflation likely to hit 18-month low in April

REUTERS

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India's consumer inflation likely cooled to an 18-month low in April as rises in food and fuel prices moderated, keeping it below the Reserve Bank of India's upper tolerance limit for the second consecutive month, a *Reuters* poll of economists found.

Food inflation, which accounts for nearly half of the overall consumer price basket, was expected to have fallen again in April, as price rises of cereals and edible oils softened.

Inflation as measured by the annual change in the consumer price index (CPI), was forecast to have fallen to 4.80 per cent in April from 5.66 per cent in March, according to the median view from the May 8-9 *Reuters* poll of 53 economists.

Predictions ranged from 4.40 per cent to 5.80 per cent, with respondents expecting inflation to remain below the RBI's 6.00 per cent upper tolerance limit for the second consecutive month.

"Food inflation was a mixed bag on the month, with cereals and vegetables easing, whilst pulses and milk rose. Lower energy prices continue to filter



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through to fuel components," wrote Radhika Rao, senior economist at DBS Bank.

"With inflation off the boil besides core (inflation), the RBI is likely to remain on an extended pause."

However, inflation was expected to remain well above the RBI's

medium-term target of 4.0 per cent in the coming quarters, according to a separate poll. It would average 5.3 per cent for the current fiscal year and 5.0 per cent for next.

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"We are looking at April and May being the bottom on inflation and then we start seeing slight upward movement above 5.0 per cent, although below the RBI's 6.0 per cent," said Upasna Bhardwaj, chief economist at Kotak Mahindra Bank.

"The near term looks comfortable in terms of inflation. But eventually the RBI will have to target its real rates being higher than 1 per cent. For that to be sustained, they will have to be on a pause. A rate cutting cycle at this moment may be slightly premature."

The survey also showed wholesale price inflation, which measures the change in producer prices, is likely to have fallen to -0.20 per cent last month compared to a year ago.