

Retail inflation eases to 5.48%

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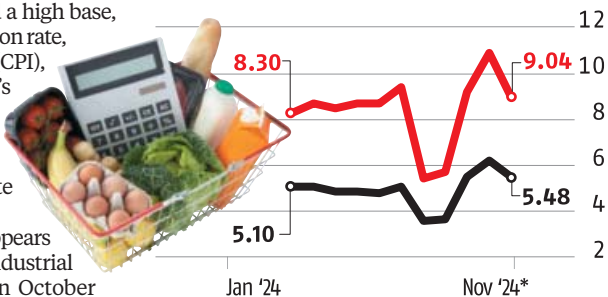
New Delhi, 12 December

With the slowdown in food prices and a high base, which is favourable, India's retail inflation rate, based on the consumer price index (CPI), fell within the Reserve Bank of India's (RBI's) tolerance band at 5.48 per cent in November, from a 14-month high of 6.21 per cent in October, raising hopes of a much anticipated policy rate cut in the February review.

Separately, industrial production appears to be on the rebound. The index of industrial production (IIP) grew 3.5 per cent in October from 3.1 per cent in September.

COOLING FOOD PRICES

— CPI General — CPI Food (Inflation; Y-o-Y%)



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*Provisional

Source: NSO

Industrial output rises in Oct

The data released by the National Statistics Office (NSO) on Thursday showed the food-inflation rate on a year-on-year basis moderated to 9 per cent from a 15-month high of 10.87 per cent in October. Prices of vegetables, the main driver of food inflation, declined to 29 per cent in November from a high of 42 per cent in the preceding month.

The rise in prices of other major food items like cereals (6.88 per cent), eggs (4.84 per cent), milk (2.85 per cent), fruit (7.68 per cent) and pulses (5.43 per cent) also decelerated.

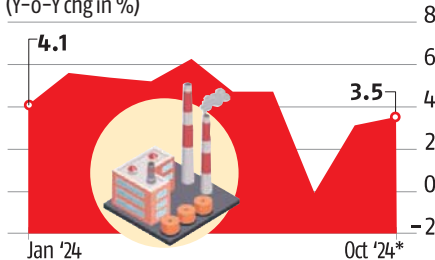
Rajani Sinha, chief economist, CARE Ratings, said the outlook for agriculture remained positive with good kharif production and the prospects for rabi sowing also remained conducive with healthy reservoir levels and good soil moisture from prolonged monsoons. "As a result, inflationary pressures within the food basket should ease in the coming months," she said.

Earlier this month, the central bank's Monetary Policy Committee (MPC) decided to keep the policy repo rate unchanged at 6.5 per cent — the status quo for the 11th consecutive time — maintaining a "neutral" stance. Addressing the customary post-policy review press conference, then Reserve Bank of India governor Shaktikanta Das said since the last policy review, inflation had been on the upside, while there had been a moderation in growth, and hence the MPC had adopted the prudent and cautious approach of waiting for better visibility on growth and inflation.

"A good rabi season would be critical to the softening of food inflation pressures. Early indications

INDUSTRIAL OUTPUT REBOUNDS

(Y-o-Y chg in %)



*Provisional; Source: NSO

point to adequate soil moisture content and reservoir levels, conducive to rabi sowing. The estimates of record kharif production should bring relief to the elevated prices of rice and tur dal. Vegetable prices are also expected to see a seasonal winter correction," he added.

The core inflation rate, which excludes food and fuel, considered volatile sectors, remained largely unchanged at 3.7 per cent during the month. The prices of fuel (-1.83 per cent) further contracted, while the rise in prices of items such as transport (2.64 per cent), education (3.89 per cent), and personal care (10.42 per cent) decelerated. On the other hand, the rebound in IIP growth in October was spurred by a 4.1 per cent uptick in manufacturing and 2 per cent in electricity although growth in mining remained muted at 0.9 per cent.

The NSO data further showed that five of the 23 manufacturing sectors, including machinery equipment, motor vehicles, leather, recorded media printing, contracted during the month. In terms of use-based categories, growth accelerated in intermediate goods (3.7 per cent), primary goods (2.6 per cent), infrastructure goods (4 per cent), and consumer non-durables (2.7 per cent) during the month, while growth in capital goods (3.1 per cent) and consumer goods (5.9 per cent) slightly decelerated.

Paras Jasrai, senior economic analyst, India Ratings & Research, said the improvement in the growth of consumer goods output, boosted by festival demand despite high inflation in October, was encouraging and a positive sign for consumption demand.