



July retail inflation eases to 3.15%; leaves room for another rate cut

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Retail inflation eased marginally to 3.15 per cent in July on the back of softening fuel and light prices even as overall food prices moved up, showed government data on Tuesday, leaving room for the Reserve Bank of India (RBI) to go for another round of rate cut in October. Retail inflation was 3.18 per cent in June 2019, while it stood at 4.17 per cent in year-ago period (July 2018).

The overall food inflation, measured on Consumer Food Price Index (CFPI), moved up to 2.36 per cent during July from the revised 2.25 per cent print for June 2019, as per data released by the Central Statistics Office (CSO) under the Ministry of Statistics and Programme Implementation.

While lowering the key interest rate for the fourth time in a row earlier this month, the RBI had maintained its "accom-

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modative" stance that meant an increase is off the table. The central bank, which had reduced the rate unconventionally by 35 basis points this month, mainly factors in retail inflation in its bi-monthly monetary policy.

The CSO data showed that the rate of price rise in vegetables softened to 2.82 per cent during the latest month as against a rise of 4.66 per cent in June, while prices of 'pulses and products' went up to 6.82 per cent from 5.68 per cent.

In case of fruits, the price trend showed upside movement with an inflation print of (-) 0.86 per cent as against (-) 4.18 per cent a month earlier.

Prices of protein rich 'meat and fish' rose at nearly the same level at 9.05 per cent (from 9.01

per cent in June), however, inflation in eggs eased to 0.57 per cent (against 1.62 per cent).

In fuel and light category, deflation was witnessed with a print at 0.36 per cent, as against a rise of 2.32 per cent a month ago.

"The marginal dip in the CPI inflation in July 2019 was led by fuel and light, which recorded a disinflation in that month, even as food and core inflation inched up. The incoming trends in food prices need to be cautiously watched, following the recent flooding in some states, rising vegetable prices and continued lag in kharif sowing. Moreover, an unfavourable base effect is likely to contribute to a hardening of food inflation in the ongoing quarter," said Aditi Nayar, principal economist, Icra.