

July Retail Inflation Dips Marginally to 3.15%

RATE CUT HOPES Inflation likely to remain below 4% target in current fiscal giving RBI room to cut interest rates further: Experts

Our Bureau

New Delhi: Retail inflation eased marginally to 3.15% in July following a sharp decline for fuel and light group, creating room for more interest rate cuts by the Reserve Bank going ahead, data released by the statistics office on Tuesday showed.

Retail inflation, as measured by the consumer price index, was 3.18% in June. Inflation is likely to remain below the Reserve Bank of India's target of 4% for the current fiscal, according to experts.

"The number reconfirms our view that the RBI is likely to cut rates further in the October policy review," said Sakshi Gupta, India economist at HDFC Bank.

The RBI had cut rates by 35 basis points last week for a cumulative 110 bps this calendar year. One basis point is 0.01 percentage point.

There has been demand for a sharp

cut in interest rates in view of low inflation to revive sharply falling consumer demand. Data released on Tuesday showed auto sales declined 31% in July.

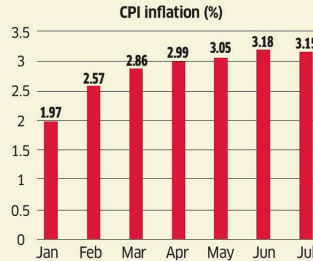
Data released on Friday showed industrial growth at a tepid 2% in June.

Indranil Pan, chief economist at IDFC bank, also said there was room for a further interest rate cut and added that the RBI may choose to take a pause after October to examine the impact of the series of rate cuts this year. Inflation in rural areas fell from 2.21% in June to 2.19% in July, while urban inflation rose from 4.22% to 4.33% in the same period.

Core inflation, which is inflation minus the volatile food and fuel components that is also seen as a measure of

Comfort Zone

Retail inflation eases marginally



OUTLOOK

Core inflation inches up to 4.4%

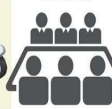
Floods, delayed Kharif may raise food inflation

Retail inflation likely to remain under 4%



What it means

RBI has room to cut rates in October review



DEMAND INDICATOR



Core inflation, which is inflation minus the volatile food and fuel components that is also seen as a measure of demand, inched up marginally to 4.4% in July

trend of food inflations because of floods in some states and a lag in kharif sowing. "The core CPI inflation may not ease meaningfully from the current levels, in our view, as demand for services will remain sticky even during an economic slowdown," she said, adding that retail inflation is likely to inch up in the coming months but remain below 4%.

demand, inched up marginally to 4.4% in July from 4.3% in June.

Inflation in food articles, which has a near-50% weight in the CPI basket, rose by a tad to 2.36% in July from

2.25% in June, as vegetables inflation was at 2.82% and retail fuel and light inflation stood at -0.36% in July.

Aditi Nayar, principal economist at ICRA, pointed to the need to watch the