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Inflation at 68-month high, IIP shrinks in Dec

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New Delhi: Retail inflation soared to a near six-year high in January while industrial output contracted in December, dragged down by weakness in manufacturing, electricity and capital goods.

Data released by the National Statistical Office (NSO) on Wednesday showed inflation as measured by the consumer price index shot up to 7.6% in January, higher than the previous month's 7.4% largely led by a spurt in food, fuel, light and telecom prices. The January figure was the highest since May 2014.

Food inflation remained in double digits at 13.6% but moderated marginally from the previous month's 14.2%.

► **Average inflation, P 20**

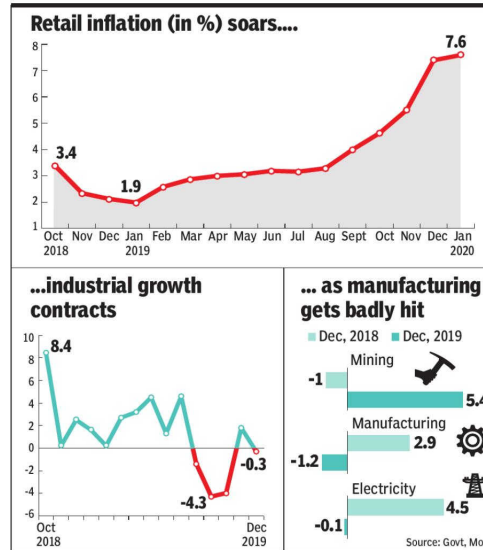
Avg inflation highest in 3 yrs

► Continued from P 1

Average inflation (April-January) in FY20 stood at 4.5%, which was highest in the past three years.

It was higher than 3.6% inflation registered during FY19 (April-January), according to Care Ratings. This is the second successive month that retail inflation has stayed above the Reserve Bank of India's comfort level. Earlier this month, the RBI held interest rates and cautioned about the uncertain inflation outlook. Economists said they expect the RBI to remain on pause as far as rates are concerned.

"With a further hardening of the headline CPI inflation driven by a rise in the core print, coupled with only a mild decline in the food inflation, which persists in double-digits, the inflation for January 2020 is entirely unpleasant," said Aditi Nayar, principal economist at ratings agency ICRA. "Nevertheless, it is unlikely to materially alter the direction of monetary policy, with the MPC already having placed its forecast for the average CPI inflation in Q4 FY2020 at a high 6.5%. However, today's data



suggests that the pause is likely to be extended further.

The internals of the food inflation are worrying, given a broad-based uptick across categories that tend to be sticky, such as proteins, and a narrower-than-expected reduction in the inflation for vegetable," said

Nayar. Separate data showed industrial output contracted in December: Data from NSO showed IIP contracted 0.3%, lower than the previous month's 1.8% and 2.5% in the previous year-ago period. The manufacturing fell 1.2% compared to a growth of 2.9%.