

Inflation likely rose to 6.90% in August, spells rate hikes: Mint poll

Manjul Paul

manjul.paul@livemint.com
NEW DELHI

India's retail inflation likely inched up to 6.90% in August, recording the first rise in four months, showed a *Mint* poll of 22 economists. The prediction could warrant more interest rate hikes in the coming months from the central bank to bring inflation within its target band, albeit at a slower pace.

The official data for August is set to be released on Monday.

Consumer price inflation had eased to 6.71% in July

from its most recent peak of 7.79% in April thanks to a slower rise in food and fuel prices.

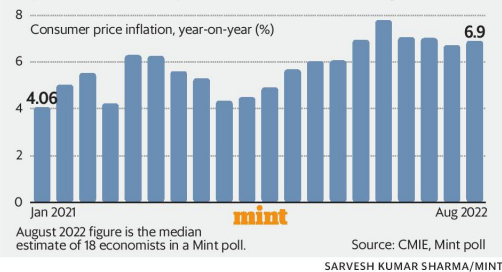
However, despite the moderation, inflation has remained above the Reserve Bank of India's upper tolerance limit of 6% across all the months this year.

The poll's predictions ranged from 6.60% to 7.30%.

Kanika Pasricha, economist at Standard Chartered Bank, who sees inflation at 7.00% in August, said, "CPI inflation (will) have picked up mainly driven by food prices, with increasing price pressures in cereals (on global trends and

Crawling up

Retail inflation likely inched up to 6.90% in August from 6.71% in July, still uncomfortably above the RBI's inflation target.



lagging rice crop sowing) and pulses."

However, a moderation in core CPI inflation is likely to

offset the seasonal rise in food prices, said Barclays in a report this week.

Barclays sees core inflation,

which excludes food and fuel, easing to 6.1% in August from July's 6.2%.

"Base effects are likely to temporarily push up the CPI inflation prints for August-September 2022, interrupting the downtrend seen in recent months," said Aditi Nayar, economist at ICRA.

With inflation around the world going through the roof, most prominently in the US and UK, central banks have been forced to hike rates.

This in turn prompted RBI to respond to high inflation prints, exacerbated by the Russia-Ukraine war, through a series of rate hikes, totalling

140 basis points since early May.

Many economists anticipate RBI will increase rates once more at its policy meeting on 30 September.

On Thursday, Finance Minister Nirmala Sitharaman said the government's priority continues to be growth and jobs, and that inflation has come down to a manageable level.

Economists believe RBI's monetary policy committee will continue to hike policy rates, though their quantum may come down.

"RBI has to continue with rate hikes, though we would

expect the central bank to hike rates in smaller clips from the September meeting, given the significant front-loading that has already been delivered and to protect against future growth headwinds," said Kaushik Das, chief India economist at Deutsche Bank.

"While July-September CPI average may end up being 20 bps below RBI's latest forecast, we think RBI should not revise its full year CPI forecast lower than the 6.7% average, as we do not expect a steep fall in CPI inflation during 2HFY23, as the RBI has projected," added Das.

CORRECTIONS AND CLARIFICATIONS

Mint welcomes comments, suggestions or complaints about errors.

Readers can alert the newsroom to any errors in the paper by emailing us, with your full name and address to feedback@livemint.com.

It is our policy to promptly respond to all complaints. Readers dissatisfied with the response or concerned about Mint's journalistic integrity may write directly to the editor by sending an email to asktheditor@livemint.com

Mint's journalistic Code of Conduct that governs our newsroom is available at www.livemint.com