

● MAY NUMBERS

WPI inflation down to 5-mth low of 2.17%

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New Delhi, June 14

CHEAPER VEGETABLES, ALONG with pulses and meat, dragged down wholesale inflation for May to a five-month low of 2.17%, putting pressure on the RBI to relax interest rate.

The wholesale price index (WPI)-based inflation was 3.85% in the previous month and (-)0.9% in May 2016. The reading was 2.10% in December 2016.

The Reserve Bank of India, in its monetary policy review this month, had revised downwards retail inflation forecast for the first half of the fiscal.

WPI is now based on the new base year 2011-12, which was revised last month from 2004-05, with an aim to reflect the macroeconomic picture more accurately.

Government data showed that prices of food articles shrank by 2.27% in May on a yearly basis.

The inflation print for vegetables read (-)18.51%. While potato saw a deflation of 44.36%, for onion, it came in at 12.86%. Pulses and cereals saw a slower growth in prices.

The rate of price increase was 4.15% in cereals, down from 6.67% in May last year. Protein-rich pulses turned cheaper in May as prices fell by 19.73%. Eggs, meat and fish saw a price decline of 1.025 annually. Inflation in fruit basket read (-)0.73% in May.

The RBI primarily factors in retail inflation based on the consumer price index (CPI) to set its policy. This time, it maintained status quo on key short-term lending rate (repo), citing upward risks to inflation.

Industry body Fici is hopeful that the central bank will take a "relook" at its monetary policy stand in light of these new numbers. "Fici would like the RBI to also be more accommodative through an easy monetary policy as the current real interest rate remains on the higher side," the industry lobby said.

Another group Assocham said the fall in WPI numbers will have a consequent downward impact on retail inflation, which may give the RBI room to push up demand by reducing interest rates.

Rate of price increase in manufactured items like

sugar, leather and related products and tobacco was lower in May. But inflation ticked up in segments like cement, lime and plaster, rub-

ber and plastic products and wearing apparel.

The May inflation in the fuel and power segment surged to 11.69% in May this year while prices shrank in the year-ago period.

The index basket of the new series has a total of 697 items, including 117 for primary articles, 16 for fuel and power and 564 for manufactured products.

The slowdown in wholesale inflation comes against the backdrop of retail inflation easing to a multi-year low of 2.18% in May.

The build-up inflation rate in the financial year so far (April-May) was (-)0.35% as against 2.51% in the same period of 2016-17.



May wholesale inflation dips to 2.17% on cheaper veggies

NEW DELHI: Cheaper vegetables, along with pulses and meat, dragged down wholesale inflation for May to a five-month low of 2.17 per cent, putting pressure on the RBI to relax interest rate.

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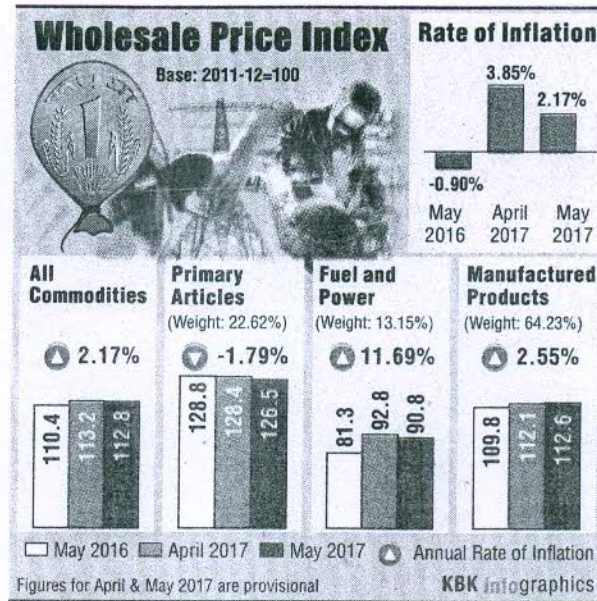
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WPI inflation eases to 2.17% in May

PNS ■ NEW DELHI

Wholesale inflation eased to 2.17 in May on the back of cheaper vegetables, along with pulses and meat, putting pressure on the RBI to relax interest rate. The wholesale price index (WPI) based inflation was 3.85 per cent in the previous month and (-)0.9 per cent in May 2016. The reading was 2.10 per cent in December 2016.

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