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Title : WPI inflation slows to 5-year low

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Pace Of Price Rise Softens To 1.8% In Oct | Pressure On RBI To Cut Rates

TIMES NEWS NETWORK

New Delhi: Wholesale price inflation slowed to a 5-year low in October on the back of cooling food and fuel prices, triggering expectations of a cut in interest rates.

The latest data comes close on the heels of numbers which showed retail inflation slowing to a fresh low of 5.5% in October, largely due to moderating food and fuel prices. The sharp moderation in price pressures, evident from the two data sets, piles enormous pressure on the Reserve Bank of India to cut interest rates to boost growth.

The annual rate of inflation, based on the monthly wholesale price index, stood at 1.8% in October compared to 2.4% for the previous month and 7.2% during the corresponding month of the

previous year, data released by the commerce ministry showed on Friday. The October number was the slowest pace of inflation since September 2009.

The RBI has so far resisted calls for a reduction in interest rates, citing stubborn inflationary pressures and would prefer to see more evidence before it is convinced to move on rates. It relies more on retail inflation than the WPI inflation. It will review monetary policy on December 2.

Finance minister Arun Jaitley said he expects the moderation in global crude prices to have a positive impact on prices. "We believe that softening of prices is in our interest. With crude prices down, this trend of lower food prices will continue," Jaitley told reporters.

COOLING DOWN

	Oct 2014* (%)
Food Articles	2.7
Cereals	3.3
Rice	6.5
Wheat	-1.9
Pulses	4.0
Vegetables	-19.6
Potato	82.1
Onion	-59.8
Fruits	19.4
Milk	11.4
Egg, Meat & Fish	-2.6
Primary Articles	1.4
Overall	1.8

*Wholesale Price Inflation

India Inc has been stepping up the pressure to cut rates which, it says, is critical to boost investment and help revive growth. The govern-

ment has also backed calls for lowering interest rates, saying it will spur demand for homes and help steer the economy out of the deep slowdown.

Easing interest rates is also expected to help households reeling under the burden of higher mortgage payments. Economists said the RBI may prefer to wait and watch

"If the disinflationary pressures continue beyond December, there will likely be some room for monetary accommodation in early-FY2016 after FY2016 Union Budget. However, this scope can be realistically evaluated only after the base effects dissipate after November. We estimate January 2015 CPI inflation at 120-130 basis points lower than the RBI's target of 8%," said Indranil Pan, chief economist at Kotak Mahindra Bank.

The Narendra Modi government has vowed to reverse two consecutive years of sub 5% growth and has taken several measures to jump start economic expansion.

The government revised downwards the data for August to 3.7% from the previously reported 3.9%.

The WPI inflation data showed food inflation slowed to 2.7% year-on-year in October, sharply lower than the near double digit rate of 9.6% in May 2014.

Wheat prices were down 1.9% year-on-year in October while vegetables contracted an annual 19.6%. Onion prices, which once soared sharply some months ago creating a political furore, dropped nearly 60% year-on-year in October. Eggs, meat and fish fell an annual 2.6% during the month.