

Inflation likely picked up in November

Inflation probably picked up in November as a weak currency pushed up the price of imported fuel, adding to the challenges facing a central bank torn between fighting rising prices and an economic slowdown, a Reuters poll showed.

A Reuters poll of 32 economists taken over the past week showed they expect wholesale prices rose 7.60 per cent in November from a year earlier, compared with 7.45 per cent in October. Forecasts ranged from 7.12 per cent to 8.10 per cent.

Wilting economic growth has prompted calls from the government and business leaders for the Reserve Bank of India to cut interest rates, but it has so far rejected them, saying prices are still rising too fast to ease policy.

"The WPI inflation likely increased slightly despite a favourable base. (The) decline in the Indian rupee over the month more than offset the fall in global commodity prices, and may have supported imported inflationary pressures," said Abhishek Upadhyay, an economist at Axis Bank [BSE 0.28 %](#).

Primary articles like food and fuel make up over a third of the wholesale price index, and their high cost has kept inflation stubbornly strong. The data will be released on Friday.

Renewed weakness in the rupee added to the pressure, with its almost 1 per cent drop last month pushing costs of imports, mainly crude oil, higher. Compared with a year earlier, the rupee was down about 4 per cent against the dollar.

The economy extended its slump into the three months to September, growing an annual 5.3 per cent, and is headed for its weakest full-year growth in a decade.

In an unexpected move, RBI Governor Duvvuri Subbarao gave fairly explicit policy guidance at the October meeting, saying the RBI might ease policy in January to March, the final quarter of the fiscal year, when it expects inflationary pressure to ease.

"Even if inflation has started showing signs of moderation, it is still way above the RBI's comfort level and I don't see any rate action in December's policy review," said Rupa Rege Nitsure, at Bank of Baroda [BSE 0.33 %](#).

The RBI has left the repo rate on hold at 8 per cent since April this year but slashed the cash reserve ratio to 4.25 per cent, its lowest since 1976. The move was expected to inject 175 billion rupees into the banking system to pre-empt a potential tightening of liquidity.

A headline inflation rate of 5 per cent is commonly perceived as the RBI's comfort level and it has stayed above 7 per cent through this year, although lower than the 9.5 per cent it averaged in the previous two years.

(Economic Times)