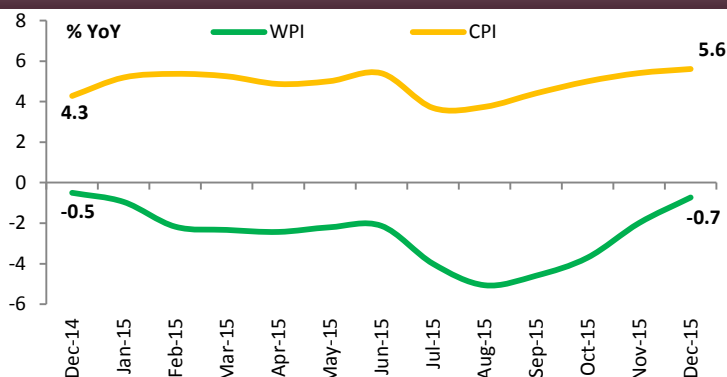


WPI contracted by 0.7 percent in December 2015

- ❖ *Headline WPI inflation declined by 0.7 percent in December 2015 as against a decline of 2.0 percent noted in November 2015. WPI based inflation rate has been in the negative territory since November 2014.*
- ❖ *WPI based food inflation accelerated to 8.2 percent in the month of December 2015. The corresponding figure in previous month was 5.2 percent. Prices of non-food articles also continued to strengthen, rising by 7.7 percent in December 2015 vis-à-vis 6.3 percent inflation noted in the previous month.*
- ❖ *Fuel and power segment remained in the deflationary zone, with the index contracting by 9.2 percent in December 2015. The decline was 11.1 percent in the previous month. Prices of mineral oils (the main component of the segment) plummeted by 15.5 percent y-o-y during December 2015.*
- ❖ *Prices of manufactured products dropped 1.4 percent in December 2015, same as that noted in November 2015. Prices of manufacturing products have remained subdued since March 2015.*
- ❖ *Retail CPI inflation rose to a fifteen month high of 5.6 percent in December 2015 as compared to 5.4 percent in November 2015. CPI based food and beverages segment registered 6.3 percent inflation in December 2015 as against 6.1 percent in November 2015.*

Trend in CPI and WPI Inflation



Total Area Sown Under Rabi Crops (in Lakh Hectares)

(Data as on January 8, 2016)	Area sown in 2015-16	Area sown in 2014-15
Wheat	281.7	299.33
Pulses	134.36	134.81
Coarse Cereals	57.4	52.28
Oilseeds	74.46	77.41
Rice	17.07	18.63
Total	564.98	582.46

WPI continued to tread on a deflationary path, albeit at a slower pace. Broadly, prices of all food articles (food grains, vegetables and fruits, milk, spices & condiments, meat and fish) noticed inflationary pressure which calls for continuous monitoring by the government. Latest data on the area sown under the rabi crop indicates a lower total area sown in the current fiscal vis-à-vis the previous fiscal as a result of low soil moisture. A sharp reduction is seen in area sown under wheat crop in the current fiscal. Raising agri-production, by further strengthening the irrigation system, and efficient supply side management are key to tackle elevation in prices of food articles.

Additionally, continuation of the deflationary trend is an indication of weak demand in the economy besides being the spillover effect of lower oil and commodity prices. The latest data on industrial production once again highlights the precarious nature of recovery in this sector. We hope that the government and the central bank will respond to the situation appropriately and take steps that would aid the process of industrial recovery. At this juncture, propelling growth and creating jobs should be a priority and all policy levers should be geared towards that objective.

Key WPI Components (% change Y-o-Y)

	Dec-14	Oct-15	Nov-15	Dec-15
Primary articles	0.3	0.0	2.3	5.5
Food articles	5.0	3.3	5.2	8.2
Vegetables	-6.4	3.2	14.1	20.6
Pulses	5.9	53.1	58.2	55.6
Fuel and power	-7.8	-16.3	-11.1	-9.2
Manufactured products	1.4	-1.7	-1.4	-1.4

Key CPI Components (% change Y-o-Y)

	Dec-14	Oct-15	Nov-15	Dec-15
Food and beverages	4.4	5.3	6.1	6.3
Vegetables	-3.4	2.3	3.9	4.6
Pulses	8.2	42.4	46.1	45.9
Clothing & footwear	6.3	5.6	5.8	5.7
Housing	5.2	4.9	5.0	5.1
Fuel & light	3.4	5.3	5.3	5.5

Source: MOSPI, PIB, Economic Outlook – CMIE and FICCI Research