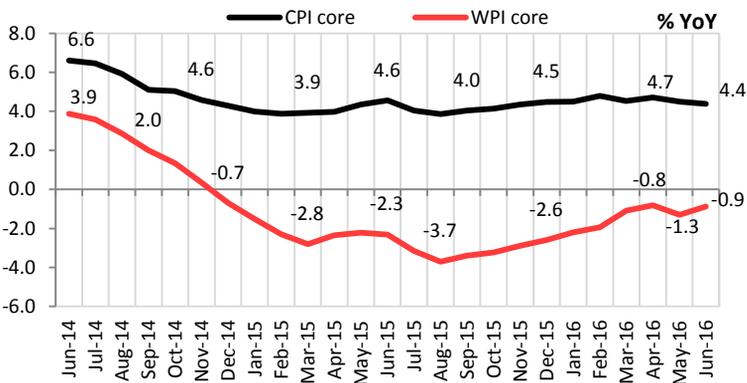


WPI rose to 1.6 percent in June 2016

- ❖ *Headline WPI climbed to 1.6 percent in June 2016 vis-à-vis an inflation of 0.8 percent in May 2016. This was the third consecutive month when the index witnessed growth.*
- ❖ *WPI based food inflation surged to 8.2 percent in June 2016 vis-à-vis 7.9 percent inflation noted in the previous month. Prices of non-food articles were also seen escalating to 5.7 percent in June 2016 from 4.5 percent inflation noted in the previous month.*
- ❖ *Fuel and power segment continued to witness deflation, with the index plummeting 3.6 percent in the month of June 2016. Price index for mineral oils witnessed 4.7 percent contraction in June 2016.*
- ❖ *Prices of manufactured products increased by 1.2 percent in June 2016 vis-a-vis a rise of 0.9 percent in May 2016. A surge in prices was seen in manufactured food products (8.4 percent in June 2016 vis-à-vis 7.5 percent in May 2016), beverages, tobacco and tobacco products (7.1 percent in June 2016 vis-à-vis 6.4 percent in May 2016) and paper and paper products (1.7 percent in June 2016 vis-à-vis 1.4 percent in May 2016) segment.*
- ❖ *Retail CPI inflation increased to a twenty two month high of 5.8 percent in June 2016. CPI based food and beverages inflation stood at 7.4 percent in June 2016 as compared to 7.2 percent inflation noted in the previous month.*

Trend in CPI and WPI Core Inflation



Inflation Trend in Manufactured Products



Latest data indicates an uptick in inflation numbers driven by a jump in food prices. Continued price pressure was seen in case of commodities like pulses and vegetables. Even food products and sugar have been witnessing an upward pressure in prices. To deal with this, supply side measures from the point of view of enhanced production as well as seamless distribution are needed. The recent agreement between our government and the Government of Mozambique on supply of pulses is an encouraging move. Further, the move to increase the MSP for pulses and increase buffer stocks for the same should also help alleviate price pressure in the future. In case of vegetables, we need to ramp up our storage and distribution network. Better logistics and efficient supply chain management is the key given the perishable nature of these products.

Our government has taken up a series of measures and with the expectation of a normal monsoon, FICCI hopes that these spikes will come under control, going forward.

CPI Based Inflation for Select Food Items (% change Y-o-Y)

	Jun-15	Apr-16	May-16	Jun-16
Potato	-31.0	22.5	36.9	40.0
Brinjal	12.5	2.8	6.3	10.0
Tomato	41.0	-6.0	10.0	51.8
Sugar (other sources)	-10.4	12.8	16.2	19.3
Pulses	22.2	34.2	31.6	26.9

WPI Based Inflation for Select Food Items (% change Y-o-Y)

	Jun-15	Apr-16	May-16	Jun-16
Vegetables	-6.8	2.9	12.9	16.9
Potato	-51.6	40.8	60.0	64.5
Brinjal	5.2	21.8	11.9	22.6
Sugar, khandsari & gur	-12.3	15.3	19.7	23.0
Pulses	36.8	36.6	35.6	26.6

Source: Office of the Economic Advisor, Economic Outlook – CMIE and FICCI Research