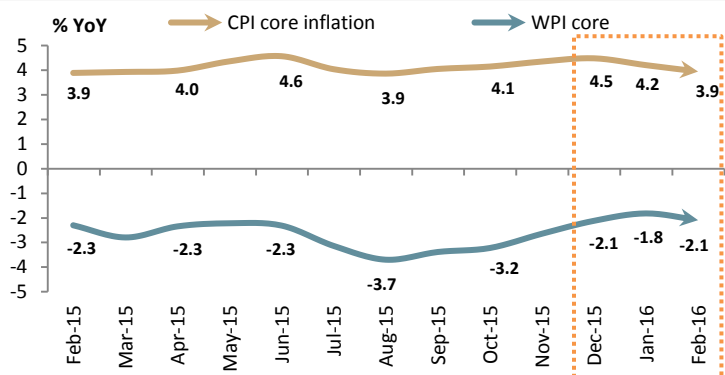


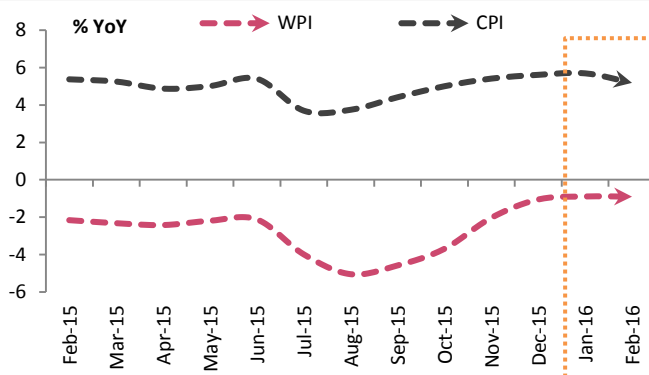
WPI declined by 0.9 percent in February 2016

- ❖ *Headline WPI deflated by 0.9 percent in February 2016 which was the same as that witnessed in January 2016.*
- ❖ *WPI based food inflation further eased to 3.4 percent in February 2016 vis-à-vis 6.0 percent inflation noted in the previous month. Prices of non-food articles also witnessed moderation after rising for five consecutive months. The segment noted an inflation of 5.9 percent in February 2016 as against 8.2 percent inflation noted in the previous month.*
- ❖ *Deflation in fuel and power segment continued with the index contracting by 6.4 percent in the month of February 2016. Price index for mineral oils, the main component of the segment, was seen plummeting by 11.5 percent y-o-y in February 2016.*
- ❖ *Prices of manufactured products fell by 0.6 percent in February 2016 vis-a-vis a fall of 1.2 percent noted in January 2016. Major manufacturing sub-segments that noted deflation include basic metals ((-) 8.1 percent), chemicals & chemical products ((-) 0.7 percent) and textiles ((-) 0.6 percent).*
- ❖ *Retail CPI inflation eased to 5.2 percent in February 2016 as against 5.7 percent inflation noted in the previous month. After rising for seven consecutive months, CPI based food and beverages inflation moderated to 5.5 percent in February 2016 as against 6.7 percent inflation noted in January 2016.*

Trend in Core CPI and Core WPI Inflation



Trend in CPI and WPI Inflation



Latest data on WPI indicates that inflation continued its deflationary course. Prices of manufactured products remained subdued reflecting persistent weak demand conditions in the economy. In addition, recently released IIP numbers reported negative growth for the third consecutive month in January 2016 further highlighting that signs of pick up in the manufacturing sector remain elusive.

The Union Budget 2016-17 has given due focus on boosting demand and encouraging domestic value addition. It also states that the fiscal framework will be adhered to by the government. RBI, in its latest monetary policy, has adopted an accommodative stance by announcing a cut in the policy rate and other steps to ease liquidity. This should help in better transmission as the banks already have enough room to pare the lending rates owing to recent reduction in small savings interest rate upto 1.3 percent as well as the introduction of the marginal cost of funds based lending rate (MCLR).

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

	Feb-15	Dec-15	Jan-16	Feb-16
Food and beverages	6.8	6.3	6.7	5.5
Vegetables	13.0	4.4	6.4	0.7
Pulses	10.6	45.8	43.3	38.3
Clothing & footwear	6.4	5.7	5.7	5.5
Housing	5.0	5.1	5.2	5.3
Fuel & light	4.7	5.5	5.3	4.6

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

	Feb-15	Dec-15	Jan-16	Feb-16
Primary articles	1.0	4.6	4.6	1.6
Food articles	7.8	7.9	6.0	3.4
Vegetables	15.3	19.5	12.5	-3.3
Pulses	14.5	55.8	44.9	38.8
Fuel and power	-14.8	-9.2	-9.2	-6.4
Manufactured products	0.3	-1.5	-1.2	-0.6

As per data released on March 14, 2016

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