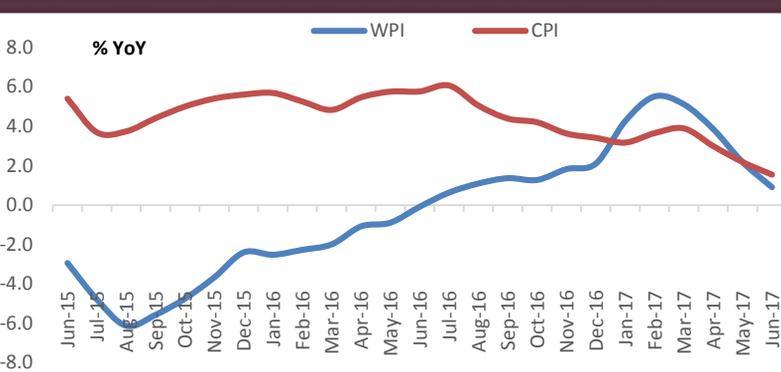


WPI eases to 0.9 percent in June 2017

- ❖ WPI based inflation eased to 0.9 percent in June 2017 which was the lowest in eleven months. All major sub-segments reported moderation in prices during the month.
- ❖ WPI based food inflation entered the contractionary zone in June 2017. WPI food group index contracted by 1.3 percent in June 2017 as compared to a flat growth of 0.2 percent in the previous month. While prices of fruits and vegetables and food grains contracted by 12.6 percent and 4.7 percent respectively in June 2017, prices of eggs, meat and fish increased by 1.9 percent. Prices in the non-food articles segment deflated by 5.2 percent in June 2017 vis-à-vis 0.9 percent deflation reported in the previous month.
- ❖ Price rise in fuel and power has moderated to 5.3 percent in June 2017 in comparison to double digit inflation since January 2017. This can be attributed to a fall in the inflation rate of mineral oils (from 19.3 percent in May to 6.9 percent in June) and deflation to the tune of 0.8 percent in the electricity segment.
- ❖ Inflation in manufactured products moderated to 2.3 percent in June 2017 as against 2.6 percent inflation reported in May 2017. This is the fourth consecutive month when the price pressure of the index cooled.
- ❖ Retail CPI inflation touched a historical low of 1.5 percent in June 2017, beating its previous record of 2.2 percent inflation in the May 2017. All broad sub segments reported a moderation in prices during the month.

Trend in CPI and WPI Inflation



The continuous moderation in prices across segments bodes well for the economy. FICCI feels that there is a clear case for the central bank to consider moving to an accommodative stance and introducing a rate cut by at least 50 basis points in the upcoming policy review.

The latest IIP numbers report a further slowdown in industrial activity and the investment cycle is yet to gain momentum. A cut in the repo rate at this juncture will help in improving the demand situation and support growth.

ADB Cuts India's Inflation Outlook

The Asian Development Bank (ADB) report released in July 2017 has cited sharp moderation in food prices, softening of global crude oil prices, lower gold prices and discounts offered by retailers to clear inventory ahead of the implementation of the goods and services tax together contributed to a drop in the inflation rate during the first quarter of 2017-18.

India's inflation outlook now stands at 4.2 percent in 2017-18 from 5.2 percent projected in the Asian Development Outlook Report in 2017.

For the next fiscal, 2018 -19, ADB projects India's inflation rate to rise to 4.6 percent in.

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

	Jun-16	Apr-17	May-17	Jun-17
Primary articles	5.7	1.0	-1.8	-3.9
Food group	8.0	2.4	0.2	-1.3
Fruits & Vegetables	13.1	-4.3	-10.8	-12.6
Pulses	27.4	-13.6	-19.7	-25.5
Fuel and power	-11.6	17.1	11.7	5.3
Manufactured products	-0.3	3.1	2.6	2.3

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

	Jun-16	Apr-17	May-17	Jun-17
Food and beverages	7.5	1.3	-0.2	-1.2
Fruits	2.8	3.8	1.4	2.0
Pulses	26.9	-15.9	-19.5	-21.9
Clothing & footwear	5.0	4.6	4.4	4.2
Housing	5.5	4.9	4.8	4.7
Fuel & light	2.9	6.1	5.5	4.5

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