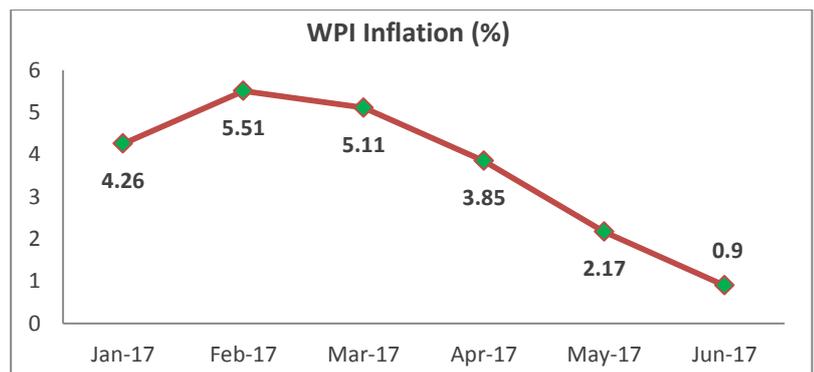


Wholesale Price Inflation: June 2017

The wholesale price index (WPI) based inflation rate for the month of June'17 declined further for consecutive 4th month to reach to 11 month lowest level at 0.90% (prov.) compared to 2.17% (prov.) in the previous month. The WPI inflation for June 2016 was negative at -0.09%. CARE had projected the WPI inflation at 1.8% for June'17.

The lower inflation print for the month can be ascribed to ease in food inflation especially in wheat, pulses, vegetables and potato along with fuel and power.

The final inflation rate for April'17 remained unchanged at 3.85%.



Source: Office of Economic Advisor

- The inflation in primary articles further eased with negative inflation for subsequent second month in June'17. It fell to -3.86% from -1.79% a month ago.
- The ease in primary articles is aided by decline in inflation in food as well as non-food articles.
- The food inflation in the month contracted by -3.47% compared with -2.27% in May'17. All sub-categories in food recorded fall in inflation except for onion, fruits and eggs meat & fish.
- The decrease in inflation is majorly due to decline in wheat inflation from 2.23% in May'17 to -0.29% in June'17.
- Further decline in inflation in pulses (-25.47%), vegetables (-21.16%) and potato (-47.32%) helped in lower food inflation.
- The non-food articles inflation stood at -5.15% in June'17 against -0.91% in the previous month. The decline is primarily due to reduction in inflation in all segments such as fibres (3.08%), oil seeds (-13.04%) and minerals (-2.02%).

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- Owing to declining global crude oil prices, the inflation in fuel and power eased in June'17 to 5.28% from 11.69% in May'17.
- Inflation in high speed diesel declined to 7.07% from 22.71% in May'17.
- Manufactured products exhibited moderation in inflation at 2.27% in June'17 from 2.55% inflation recorded in the previous month.
- Sugar prices fell to 10.71% from 12.83% inflation in May'17.
- The inflation in vegetable and animal oils and fats (1.54%), textiles (3.18%), paper and paper products (2.21%) and semi-finished steel (-0.67%) decreased compared to their previous month's inflation levels.

Growth in WPI (%)

Group	Weight (%)	Jan'17	Feb'17	Mar'17	Apr'17	May'17	June'17
All commodities	100	4.26	5.51	5.29	3.85	2.17	0.90
Primary Articles	22.62	1.93	4.01	3.98	1.82	-1.79	-3.86
Food Articles	15.26	0.28	2.55	3.82	1.16	-2.27	-3.47
Non-food Articles	4.12	0.74	4.65	3.58	-0.16	-0.91	-5.15
Fuel & Power	13.15	16.67	25.17	23.66	18.52	11.69	5.28
Manufactured Products	64.23	3.33	3.23	3.03	2.66	2.55	2.27

Source: Office of Economic Advisor

CARE's View

- With favourable turnaround of monsoon, we can expect further easing in the wholesale inflation in the upcoming months.
- Falling global oil prices could also aid in lower inflation numbers going ahead.
- However, the upside risk could emanate from GST implementation that could increase prices of certain commodities.
- **We are expecting the WPI inflation to remain in the range of 3-4% by the end of the fiscal year.**

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