

## CPI inflation accelerates to 5.61% on higher food inflation

December CPI came in at 5.61%, marginally higher than our estimate of 5.53% and consensus of 5.45%. Food inflation rose to 6.31%, mainly due to poor monsoon and reversal of favourable base with pulses inflation remaining stubbornly high at 45.0% YoY (pulses alone contributed 108 basis to overall inflation). Vegetable inflation rose to 4.63% from 4.0% in previous month, Fuel inflation rose to 5.45% compared with 5.28% in November, Misc inflation rose to 3.95% from 3.78% in November while clothing, bedding and footwear eased marginally to 5.74% from 5.76%.

Core CPI for December came in at 4.73% against 4.62% for November pointing to some rise in domestic demand.

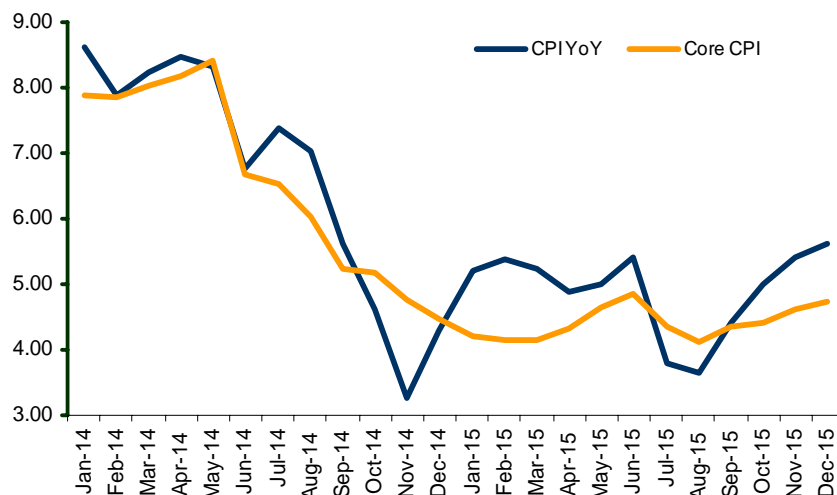
### YoY Growth

	Nov-15	Dec-15
Food and Beverage	6.08	6.31
<i>Vegetables</i>	4.00	4.63
<i>Cereal and Products</i>	1.70	2.12
<i>Milk and Milk Products</i>	4.03	3.94
<i>Fruits</i>	2.07	0.64
Pan, Tobacco and intoxicants	9.50	9.27
Fuel and Light	5.28	5.45
Housing	4.95	5.06
Miscellaneous	3.78	3.95
Clothing and Bedding& footwear	5.76	5.74
CPI -General	5.41	5.61
CPI - Core	4.62	4.73

## IMPACT

December CPI is a little higher than consensus (due to faster rise in food prices esp pulses). Without the benefit of favorable base effect, inflation was largely contained in most food articles and cereals and shows good management by government in most food product categories. We think inflation is likely to stay below RBI's estimate of 5.8% for Jan 2016 as we expect some moderation in food and fuel prices going ahead. We expect inflation to range between 5.25% - 5.5% levels in the medium term.

Inflation has been trending higher than estimates for the past couple of months, mainly due to food inflation (mainly pulses) and gives RBI very little room for further monetary easing in the near term.



**CPI INFLATION**

*Headline Inflation rises to 5.61%*

CPI Combined Inflation for Dec 2015 rose to 5.61% compared with 5.41% for the previous month as food inflation rose faster than estimated. Food inflation rose to 6.31% with vegetables at 4.63%. Pulses, once again, rose sharply YoY to 45.0%. Fuel inflation was 5.45% compared with 5.28% in Nov. Misc inflation rose to 3.95% from 3.78% in Nov while clothing, bedding and footwear eased to 5.74% from 5.76%.

Urban CPI Inflation was higher at 4.73% compared to 4.71% the month before while Rural CPI Inflation rose to 6.32% from 5.95% the month before.

CPI Food & Beverages rose to 6.31% from 6.08% the month before as pulses inflation remained high.

CPI YoY for Pan, Tobacco & Intoxicants was lower at 9.28% from 9.50% the month before

CPI YoY for Clothing Bedding & Footwear was lower at 5.74% from 5.76% the month before.

CPI Inflation for Fuel & Light rose to 5.45% from 5.28% the month before and CPI Housing was slightly higher at 5.06% from 4.95% in Nov.

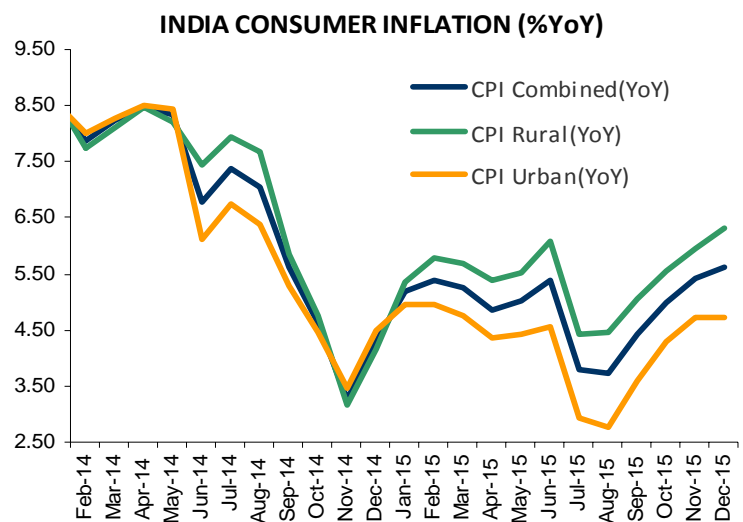
CPI Miscellaneous was higher at 3.95% from 3.78% the month before.

**Major Contributors to Consumer Inflation**

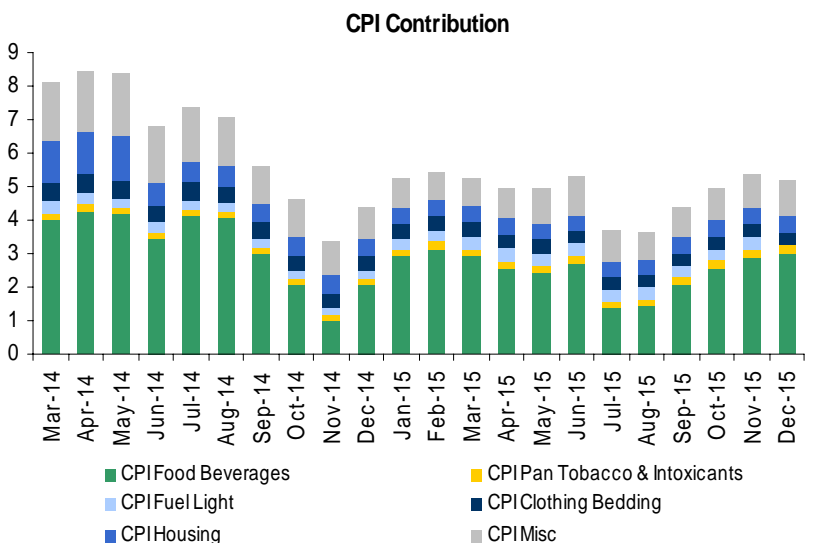
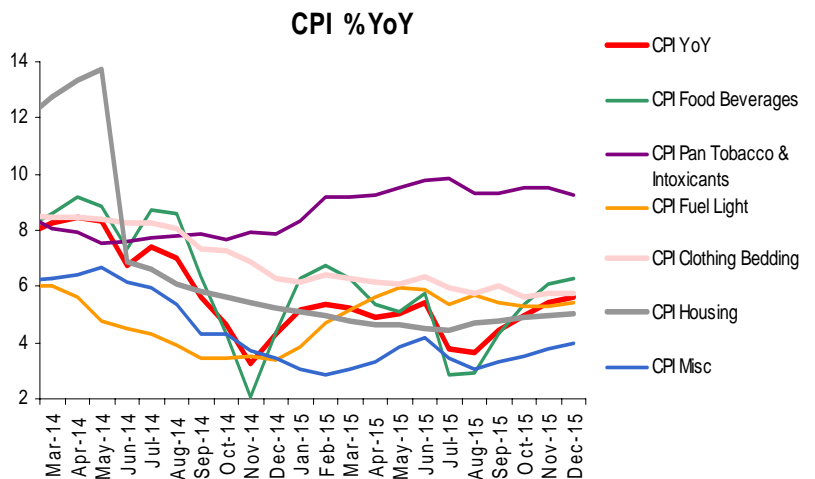
% Contribution to CPI Combined		
	Dec-15	Nov-15
Food, Beverages & tobacco	53.4	53.62
Pan, Tobacco & Intoxicants	4.05	4.25
Fuel & Light	6.43	6.42
Clothing, Bedding & Footwear	6.82	7.03
Housing	8.87	8.99
Miscellaneous	19.02	18.73

Food contribution remains high in Dec due to YoY rise in some food articles due to poor monsoons. Pulses contribution is 108 basis to the overall inflation.

Dec 2015 CPI Combined inflation at 5.61% against 5.41% for previous month



**Components of CPI-Combined Inflation:**



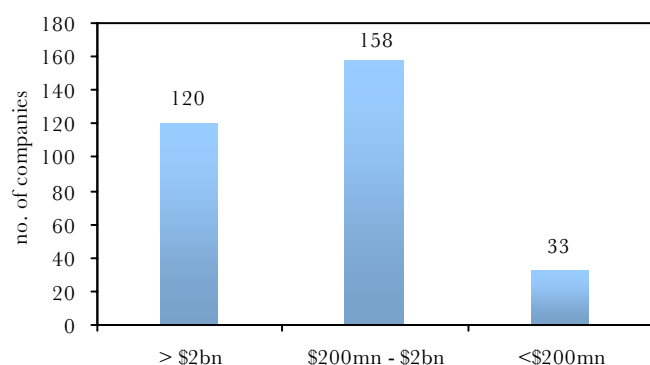
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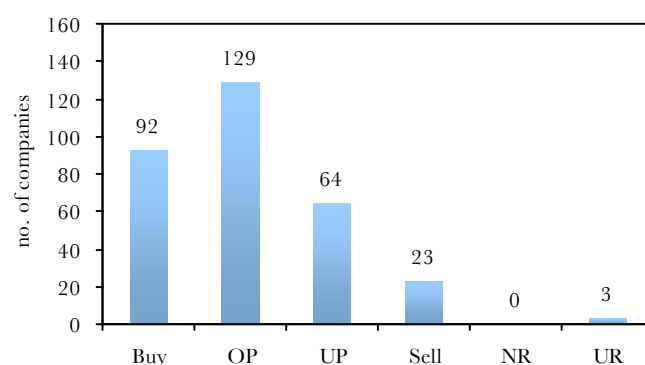
## B&K Economic Research

### B&K Universe Profile

**By Market Cap (US\$ mn)**



**By Recommendation**



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