

All India Inflation rates*

National Statistical Office (NSO), Ministry of Statistics and Programme Implementation publishes All India Inflation rates (on **point to point basis** i.e. current month over same month of last year, e.g- , March 2020 over March 2019).

Inflation rates are provided based on **Consumer Price Index (General)**-Rural, Urban and Combined and **Consumer Food Price Index (CFPI)**- Rural, Urban and Combined (called Food Inflation).

All India Inflation rates based on CPI (General) and CFPI for March 2020

Indices	Rural	Urban	Combined
CPI (General)	6.09%	5.59%	5.84%
CFPI	8.88%	8.59%	8.76%

Consumer Price Index (General)– Rural, Urban and Combined (Base year 2012= 100)*

About CPI	Consumer Price Indices (CPI) measure changes over time in general level of prices of goods and services that households acquire for the purpose of consumption. CPI is widely used as a macroeconomic indicator of inflation , and also as a tool by governments and central banks (RBI) for inflation targeting and for monitoring price stability. CPI is also used as deflators in the National accounts (i.e. GDP).			
Issued	Monthly			
Release date	Released every month at 5.30 p.m. on 12th day of the following month. If it is a holiday, then it is released on the next working day			
Issued by	National Statistical Office (NSO), Ministry of Statistics and Programme implementation			
Collection of Data	Monthly Price data are collected from 1114 markets in 310 selected towns by the Field Operations Division of National Sample Survey Organisation (NSSO) and from 1181 selected villages by the Department of Posts. Price data are received through web portals, maintained by the National Informatics Centre (NIC)			
No of items	No of Priced items all india basis in CPI basket are <u>448 in rural basket</u> and <u>460 in urban basket</u> .			
Group & Weights	Group	Weights		
		Rural	Urban	Combined
	1) Food and beverages	54.18	36.29	45.86
	2) Pan, tobacco and intoxicants	3.26	1.36	2.38
	3) Clothing and footwear	7.36	5.57	6.53
	4) Housing *	0	21.67	10.07
	5) Fuel and light	7.94	5.58	6.84
6) Miscellaneous (Services etc.)	27.26	29.53	28.32	
	100	100	100	
Consumer Food Price Index Weights	1) Food and beverages	54.18	36.29	45.86
	Less:			
	Non-alcoholic beverages	1.37	1.13	1.26
	Prepared meals, snacks, sweets etc	5.56	5.54	5.55
	47.25	29.62	39.06	

* House rent is compiled only for CPI (Urban). It is not compiled for rural sector because there is negligible number of rented houses in the rural areas.

SCRA-2013

Consumer price index is designed to measure the degree to which

(a) Incomes are distributed among the poor and rich over time

(b) The cost of purchasing a bundle of consumer goods has changed with time

(c) Consumption patterns have changed with time because of higher prices

(d) Consumer prices have risen relative to wages

CDS 2017

Which one of the following indices is now used by the Reserve Bank of India to measure the rate of inflation in India?

- (a) NASDAQ Index (b) BSE Index (c) **Consumer Price Index** (d) Wholesale Price Index

CAPF-2013

The rate of inflation in India is measured generally in respect of movement of

- (a) **consumer price index** (b) wholesale price index
(c) cost of living index for agricultural labour (d) money supply

Seasonal Movements in CPI and its Food components

Food basket which has a large weight in the price indices (particularly in Consumer Price Index) in India is affected by seasonality.

Within food basket of the price indices, pulses, fruits and vegetables groups, in particular, have witnessed large changes in prices mainly due to their seasonal nature.

General (Headline) inflation is more volatile than core; it fluctuates more due to large changes in the relative prices of certain food items vulnerable to supply shocks.

Inflation target*

Moderate inflation is good for growth in developing country. Slowly increasing price level keeps businesses profitable and attract investment. It also prevents consumer from holding off their purchases in anticipation of price fall. A little inflation encourages to buy sooner and that boosts economic growth.

Inflation target in India is set by the Govt. in consultation with RBI, once in every five years.

Inflation target is measured by the Consumer Price Index (CPI). Inflation target is 4% (+/-) 2% for the period from August 5, 2016 to March 31, 2021.

if the average inflation is more than the upper tolerance level of 4% + 2%, that is, 6%, or less than the lower tolerance level of 4% - 2%, that is 2%, for any 3 consecutive quarters, it would mean a failure to achieve the inflation target.

Where RBI fails to meet the inflation target, it shall set out a report to the Central Government stating the reasons for failure to achieve the inflation target; remedial actions proposed to be taken by RBI; and an estimate of the time-period within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.

IAS Prelims 2011

Economic growth is usually coupled with ?

- (a) Deflation.
(b) **Inflation.**
(c) Stagflation.
(d) Hyperinflation.

CDS-2012

Which of the following statements is / are correct?

1. High growth will lead to inflation.
2. High growth will lead to deflation.

Select the correct answer using the code given below :

- (a) **1 only**
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Wholesale Price Index (Base year 2011-12=100)*

About WPI	<p>Wholesale Price Index (WPI) measures the average change in the prices of commodities for bulk sale at the first stage of transactions. (i.e.wholesale price) This helps in timely intervention by the Government to check inflation, particularly in essential commodities, before the price increase spills over to retail prices.</p> <p>The prices tracked are ex- factory price for manufactured products, agri-market (mandi) price for agricultural commodities and ex-mines prices for minerals.</p> <p>Prices do not include indirect taxes in order to remove impact of fiscal policy.</p> <p>The Wholesale Price Index covers prices of products/commodities only pertaining to four sectors comprising agriculture, mining, manufacturing and electricity. The other sectors of GDP, in particular, services sector are not covered under WPI.</p>
Uses	<p>WPI is used as deflator for many sectors of the economy for estimating GDP.</p> <p>It is also used to deflate nominal (current) values of production in Index of Industrial Production (IIP).</p> <p>WPI is also used for indexation/escalation in business contracts.</p>
Issued	Monthly, on 14th day of the following month. If it is a holiday, then it is released on the next working day
Issued by	Office of economic adviser, DPIIT, Ministry of commerce & Industry
Commodities & Weight (total items 697)	<p>1) PRIMARY ARTICLES (Weight 22.62%) (Items 117) (in Primary articles, Food articles weight is highest 15.26%)</p> <p>2) FUEL & POWER (Weight 13.15%) (Items 16)</p> <p>3) MANUFACTURED PRODUCTS (Weight 64.23%) (Items 564) (in Manufactured Products, Manufacture of Food Products weight is 9.12% second highest and Highest weight is of Basic metals 9.65%)</p> <p>Weights given to each commodity covered in the WPI basket is based on the value of production adjusted for net imports in the base year 2011-12.</p>
WPI Food Index (Weight 24.38%)	It consists of "Food Articles" from Primary Articles group and "Manufacture of Food Products" from Manufactured Products group.
Inflation	The annual rate of inflation, based on monthly WPI, stood at (-3.21%) (provisional) for the month of May, 2020 (over May, 2019) as compared to 2.79% during the corresponding month of the previous year.

Working Group for Revision of WPI (27-06-2019)*

The Government of India has decided to constitute a Working Group under **Chairmanship of Prof. Ramesh Chand**, Member, Niti Aayog for the revision of the current series of Wholesale Price Index (Base 2011-12).

Since 2011-12, significant structural changes have taken place in the economy. Therefore, it has become necessary to examine the coverage of commodities, weighting diagram and related issues pertaining to the existing series of index numbers of Wholesale Price Index.

The Office of Economic Adviser, Department for Promotion of Industry & Internal Trade will be the nodal office for the Working Group.

The Terms of Reference of the Working Group are:

- To select the **most appropriate Base Year** for the preparation of a new official series of Index Numbers of Wholesale Price (WPI) and Producer Price Index (PPI) in India.
- To review **commodity basket** of the current series of WPI and suggest additions / deletions of commodities in the light of structural changes in the economy witnessed since 2011-12

- To review the existing system of price collection in particular for manufacturing sector and suggest changes for improvement.
- To decide on the computational methodology to be adopted for monthly WPI/PPI.
- To examine the existing methodology of compilation of PPI approved by Technical Advisory Committee on Series of Prices and Cost of Living and suggest further improvement in compilation and presentation. The **Working Group may recommend roadmap for switch over from WPI to PPI.**
- To examine the method of computing linking factor adopted so far and suggest appropriate change in method of computing linking factor, if necessary.
- To suggest any other improvements as may be necessary for enhancing the reliability of the official series of WPI / PPI.

CAPF-2010

Consider the following items of wholesale price index:

1. Primary articles
2. Fuel, power, lights and lubricants
3. Manufacturing products

Arrange the above items in descending order in terms of their weightage in calculating wholesale price index:

- (a) 1, 2, 3
- (b) 1, 3, 2
- (c) **3, 1, 2**
- (d) 3, 2, 1

CAPF-2013

Which one among the following items has maximum weight in wholesale price index in India?

- a. Primary article
- b. Fuel and power
- c. Manufactured product**
- d. Food item

CISF-LDC-2009

In calculation of wholesale price index, which item has been assigned the maximum weightage?

- (a) Food articles
- (b) Non-food articles
- (c) Fuel, power, light and lubricants
- (d) **Manufactured products**

IAS Prelims 2010

With reference to India, consider the following statements:

1. The Wholesale Price Index (WPI) in India is available on a monthly basis only.
2. As compared to Consumer Price Index-CPI, the WPI gives less weight to food articles.

Which of the statements given above is/are correct?

- (a.) 1 only
- (b.) 2 only
- (c.) **Both 1 and 2**
- (d.) Neither, 1 nor 2

CDS-2011

At present the Wholesale Price Index (WPI) for all commodities including manufactured products is released on a

- (a) weekly basis
- (b) **monthly basis**
- (c) bi-weekly basis
- (d) quarterly basis

Experimental Business Service Price Index (BSPI)

Issued by	Office of economic adviser, DPIIT, Ministry of commerce & Industry
Sectors for which issued	<ol style="list-style-type: none"> 1. Experimental Railway Service Price Index (Monthly issued) (Base Year: 2011-12) 2. Experimental Banking Service Price Index (Monthly issued) (Base Year: 2011-12) 3. Experimental Air Service Price Index (Monthly issued) (Base Year: 2015-16) 4. Experimental Postal Service Price Index (Monthly issued) (Base Year: 2004-05) 5. Experimental Insurance Service Price Index (Quarterly issued) (Base Year: 2011-12) 6. Experimental Telecom Service Price Index (Quarterly issued) (Base Year: 2015-16) 7. Experimental Port Service Price Index (Quarterly issued) (Base Year: 2011-12) 8. Experimental Securities Transaction Services Price Index (Quarterly issued) (Base Year: 2015-16)
Why experimental	Due to non-availability of accurate data on services inflation and conceptual complexities in service sector.
Need for service index	<p>While the WPI measures price movement of goods in wholesale markets, the CPI tracks inflation at retail level and also includes certain services.</p> <p>Considering that the services sector contributes around 60% of the country GDP, there is a long-felt need for such an index to measure the inflationary pressure caused by cost of services.</p>