Data on Retail Inflation and Factory Output

Why in News

Separate data on **retail inflation and factory output** have been recently released by the **Ministry of Statistics & Programme Implementation** (MoSPI).

Key Points

- **Retail Inflation:**
  - Measured by the **Consumer Price Index** (CPI), **eased to 4.59%** in the month of December 2020.
  - The retail inflation for the **month of November** was 6.93%.
  - The December CPI data has come within the **Reserve Bank of India's** (RBI) upper margin of 6%.
    - The government has **mandated the central bank** to keep retail inflation within the **range of 4% with a margin of 2% on either side as per its inflation targeting.**
    - CPI inflation has been above RBI's upper bound inflation target of 4 +/-2% for more than 11 months.
  - RBI primarily factors in retail inflation while making its **bi-monthly monetary policy.**

    In its **bi-monthly monetary policy** meeting in **December 2020,** the Indian central bank had kept its key interest rates unchanged (repo and reverse repo rates) and decided to maintain an **'accommodative stance'** as long as necessary at least through the current financial year.
  - **Causes of decline:**

    Decline in food prices: Inflation in the food basket eased to 3.41% in the month of December, down from 9.50% in November.

- **Factory Output:**
  - India's factory output, which is measured in terms of **Index of Industrial Production** (IIP), witnessed a contraction of **-1.9%** during the **month of November** 2020.
  - The industrial growth so far in the fiscal year 2020-21 (April-November) has contracted **-15.5%,** compared to a **0.3%** rise in the corresponding period in 2019.
  - **Causes of Contraction:**
    - **Mining and Manufacturing sectors.**
      - The **mining sector** saw a decline of -7.3% in November, while the **manufacturing sector** witnessed a fall of -1.7%.
      - However, the **electricity sector grew** 3.5%.
      - In **November 2019,** the **manufacturing sector** had witnessed a **growth of 3.0%.** During the same period, the **mining sector had risen 1.9%,** while the **electricity sector** had witnessed a **fall** of **-5.0%.**

Consumer Price Index

- It measures **price changes from the perspective of a retail buyer.** It is released by the **National Statistical Office** (NSO).
- The CPI calculates the difference in the price of commodities and services such as food, medical care, education, electronics etc, which Indian consumers buy for use.
- The CPI **has several sub-groups** including food and beverages, fuel and light, housing and clothing, bedding and footwear.
- At present, India has **five consumer price indexes** (CPIs), **three** of which are **working-class specific.** These are:
  - CPI for Industrial Workers (IW).
  - CPI for Agricultural Labourer (AL).
  - CPI for Rural Labourer (RL).
  - These three indexes are compiled by the **Labour Bureau** in the **Ministry of Labour and Employment.**
  - **CPIs AL and RL** are **used to fix minimum wages of agricultural labourers and rural unskilled employees.**
  - The **CPI-IW** is mainly used for **determining dearness allowance** (DA) paid to central/state government employees and workers in the industrial sectors besides measuring inflation in retail prices, fixation and revision of minimum wages in scheduled employments.
    - The Base Year for CPI-IW has **recently** been **changed to 2016** from **previous 2001.**
  - The Labour Bureau is also expected to bring out the new series of the CPI- AL/RL, which currently has the base year of **1986-87** by August 2021.

- The other two are **CPI-Urban and CPI Rural.** These two indexes are compiled by the **National Statistical Office (NSO) in the Ministry of Statistics and Programme Implementation.**

    The combined rise in retail prices is captured by CPI Combined.

Index of Industrial Production

- The Index of Industrial Production (IIP) is an index that **shows the growth rates in different industry groups** of the economy in a **fixed period of time.**
- It is compiled and published monthly by the **National Statistical Office** (NSO), Ministry of Statistics and Programme Implementation.
- IIP is a composite indicator that measures the **growth rate of industry groups** classified under:
    - **Broad Sectors:**

        Mining, Manufacturing, and Electricity.
    - **Use-based sectors:**

        Basic Goods, Capital Goods, and Intermediate Goods.
- The eight core sector industries represent about **40%** of the **weight of items that are included in the IIP.**

    The eight core industries in decreasing order of their weightage: Refinery Products (28.04 %)> Electricity (19.85 %)> Steel (17.92 %) > Coal (10.33 %)> Crude Oil (8.98 %)> Natural Gas (6.88 %)> Cement (5.37 %)> Fertilizers (2.63 %).
- **Base Year** for IIP calculation is **2011-2012.**

Source:IE