



# Inflation in India

Recently, Consumer Price Index: Industrial Labour (CPI:IW) was released by the Ministry of Labour & Employment.

## Measurement of Inflation in India

### ▪ Wholesale Price Index WPI

- It is the most widely used inflation indicator in India.
- Published by the **Office of Economic Adviser, Ministry of Commerce and Industry**.
- All transactions at the **first point of bulk sale** in the domestic market are included.
- Major criticism for this index is that the general public does not buy products at wholesale price.
- The base year of All-India WPI has been revised from 2004-05 to 2011-12 in 2017.

### ▪ Consumer Price Index CPI

- It measures price changes from the **perspective of a retail buyer**.
- It measures changes over time in the level of retail prices of selected goods and services on which consumers of a defined group spend their incomes.
- Four types of CPI are as follows:
  - **CPI for Industrial Workers (IW).**
  - **CPI for Agricultural Labourer (AL).**
  - **CPI for Rural Labourer (RL).**
  - **CPI (Rural/Urban/Combined).**
  - Of these, the first three are compiled by the **Labour Bureau in the Ministry of Labour and Employment**. Fourth is compiled by the **Central Statistical Organisation (CSO)** in the Ministry of Statistics and Programme Implementation.
- Base Year for CPI is 2012.

## CPI vs. WPI

- WPI, tracks inflation at the producer level and CPI captures changes in prices levels at the consumer level.
- Both baskets measure inflationary trends (the movement of price signals) within the broader economy, the two indices differ in which weightages are assigned to food, fuel and manufactured items.
- WPI does not capture changes in the prices of services, which CPI does.
- In April 2014, the RBI had adopted the CPI as its key measure of inflation.