



Inflation Data: February 2021

Why in News

Recently, the Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade has released the [Wholesale Price Index \(WPI\)](#) for the month of February, 2021.

Key Points

▪ Wholesale Price-Inflation:

- It increased for the second consecutive month to **4.17%**.
 - This is the highest since November 2018, when wholesale inflation was at **4.47%**.
 - The WPI inflation was **2.03% in January 2021** and **2.26% in February 2020**.

▪ Reason:

- Increase in **inflation in food articles, fuel & power** has led to this surge.
 - **Food Inflation:** The food articles in February saw **1.36%** inflation which in January stood at (-) 2.80%.
 - **Retail inflation:** Based on the [Consumer Price Index](#) (CPI), it was at **5.03%** in February.

Wholesale Price Index

- It **measures the changes in the prices of goods sold and traded in bulk** by wholesale businesses to other businesses.
- Published by the **Office of Economic Adviser**, Ministry of Commerce and Industry.
- It is the **most widely used inflation indicator** in India.
- 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

- 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.
- 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 NSO in the Ministry of Statistics and Programme Implementation.

- **Base Year** for CPI is 2012.
- **The Monetary Policy Committee (MPC)** uses CPI data to control inflation. In April 2014, the **Reserve Bank of India (RBI)** had adopted the CPI as its key measure of inflation.

CPI vs. WPI

- WPI, tracks inflation at the producer level and CPI captures changes in prices levels at the consumer level.
- **WPI does not capture changes in the prices of services**, which CPI does.

Inflation

- Inflation refers to the **rise in the prices of most goods and services of daily or common use**, such as food, clothing, housing, recreation, transport, consumer staples, etc.
- Inflation measures the **average price change in a basket of commodities and services over time**.
- Inflation is **indicative of the decrease in the purchasing power** of a unit of a country's currency.
 - This could ultimately lead to a **deceleration in economic growth**.
- However, **a moderate level of inflation is required in the economy** to ensure that production is promoted.
- In India, inflation is primarily measured by **two main indices –WPI & CPI** which measure wholesale and retail-level price changes, respectively.

Source:TH

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