Ramesh Chand Panel

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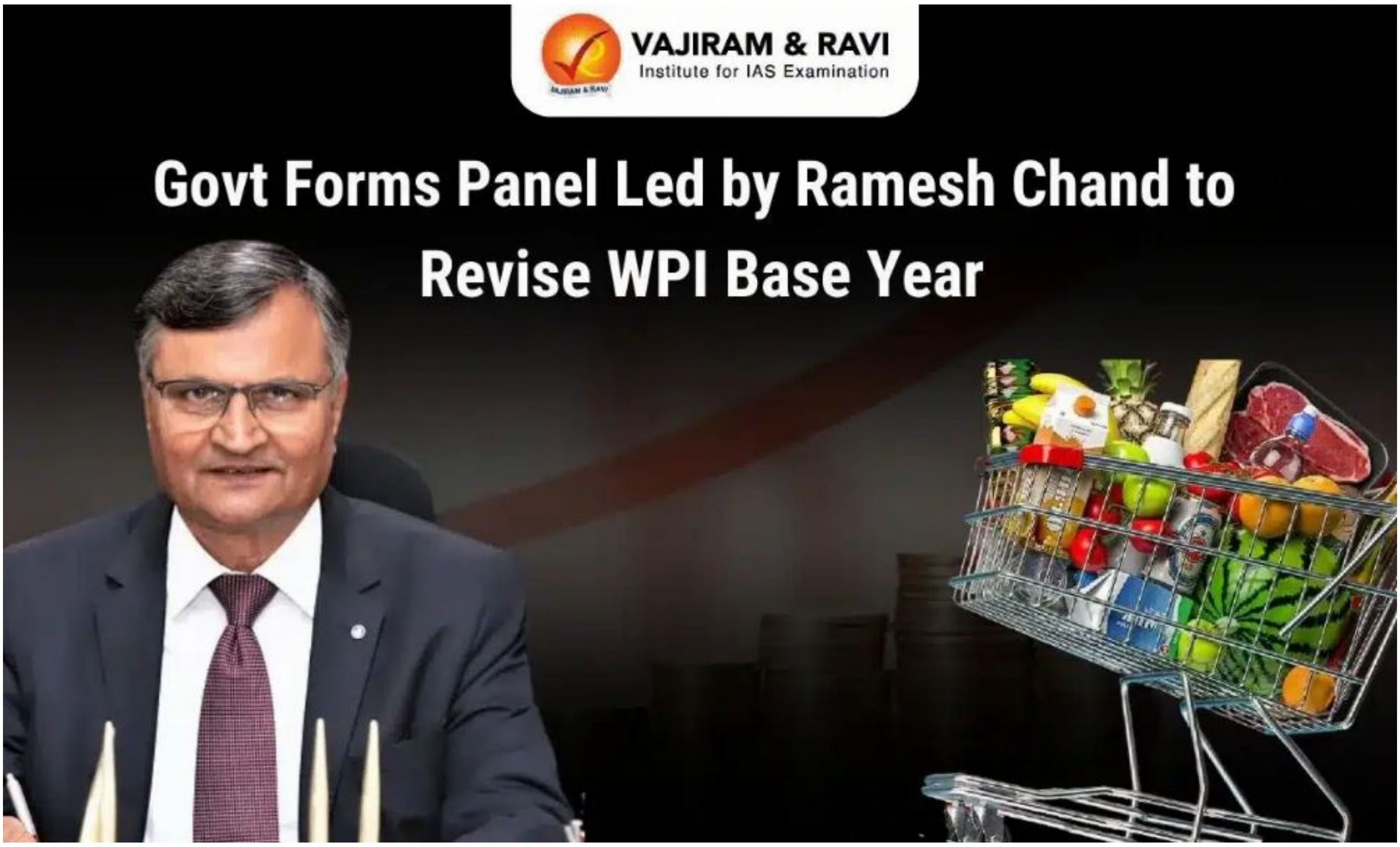

About Ramesh Chand Panel:

- It was established **to revise the base year of the Wholesale Price Index (WPI) from 2011-12 to 2022-23.**
- Among its **key mandates**, the panel will:
  - **Propose a revised commodity basket for the WPI and** the **Producer Price Index (PPI)** with the base year 2022-23, considering structural changes in the economy.
  - **Review the current system of price collection** and recommend improvements.
  - It will also **decide on the computational methodology to be adopted for WPI** and **PPI**.
- The panel will have economists in the government, rating agencies, asset management companies, banks, and representatives from the government and the Reserve Bank of India.
- It has been asked to submit its **final report** to the Office of the Economic Adviser at the Department for Promotion of Industry and Internal Trade (DPIT) **within 18 months.**

Wholesale Price Index (WPI) vs. Producer Price Index (PPI):

- **WPI** represents the **price of goods at a wholesale stage,** i.e. goods that are sold in bulk and traded between organisations instead of consumers.
    - It **does not account for inflation at the level of the ordinary public** because they do not buy products at wholesale prices.
    - WPI **excludes the service sector,** which covers about 55% of GDP.
    - WPI has an **inbuilt bias due to double counting of the same product** and doesn’t include exports and imports.
- **PPImeasures wholesale prices from the point of view of producers** of goods and services by **tracking prices at different stages of production**.
    - **PPI** is different from WPI in the way that it **measures the average change in prices received by producers** and **excludes indirect taxes**.
    - It **looks at inflation from the viewpoint of industry** and business and measures price changes before consumers purchase final goods and services.
    - **Weight of an item in WPI is based on net traded value, whereas in PPI weights are retrieved from Supply Use Tables**.
    - **PPI also includes services,** while WPI only has goods.
    - **PPI has replaced WPI in most countries** as it is conceptually in line with the internationally agreed System of National Accounts (SNA) to compile measures of economic activity.

Q1: What is the Consumer Price Index (CPI)?

Consumer Price Index (CPI) inflation, tracks the change in retail prices of goods and services which households purchase for their daily consumption. CPI is calculated for a fixed basket of goods and services that may or may not be altered by the government from time to time. The change in the price index over a period of time is referred to as CPI-based inflation, or retail inflation. CPI is calculated as a percentage. It is a comparison of the general price level in the markets in a particular time period from a time frame in the past. This is known as the base year. CPI, therefore, is calculated by referring to a base year, which is a benchmark. Currently, the base year is 2012.

Source: FE