

What is Retail Inflation?

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About Retail Inflation

- Retail inflation, also known as 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.
- What Does the CPI tell? Following are a few things that the CPI index interprets:
 - Cost of living
 - The purchasing power of consumers
 - The expensiveness of different articles that consumers buy and services that are availed
 - Value of the Indian rupee
- How is CPI calculated?
 - 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.
 - The formula for calculating the CPI index is:
 - $\text{CPI} = (\text{Cost of a Fixed Basket of Goods and Services in the Current Year} / \text{Cost of a Fixed Basket of Goods and Services in the Base Year}) * 100$
 - The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), compiles All India as well as state-wise CPI for Rural, Urban, Combined sectors and releases the CPI numbers every month.
 - How is the Consumer Price Index (CPI) Used?
 - It is used as a macroeconomic indicator of inflation, as a tool by the central bank and government for inflation targeting and for inspecting price stability, and as a deflator in the national accounts.
 - CPI also helps understand the real value of salaries, wages, and pensions, the purchasing power of the nation's currency, and regulating rates.
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Q1) What is 'Wholesale Price Index' (WPI)?

(WPI) represents the price of goods at a wholesale stage i.e. goods that are sold in bulk and traded between organizations instead of consumers. WPI is used as an important measure of inflation in India. Fiscal and monetary policy changes are greatly influenced by changes in WPI.

Source: [2024 brings breather on inflation but food prices are still sticky](#)

Source: <https://vajiramandravi.com/current-affairs/retail-inflation-upsc/>

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