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News: Retail inflation eases; food prices still bite

- India's retail inflation eased slightly to 6.83% in August, from the 15-month high of 7.44% in July, but the rise in food prices remained elevated at around 10% and rural consumers continued to face over 7% inflation.

Wholesale Price Index (WPI)

- Wholesale price Index (WPI) calculates the **average change in prices of commodities at the Wholesale level.**
- WPI is released by **Office of Economic Advisor to the Ministry of Commerce and Industry under Department of Industrial Policy and Promotion.**
- It **considers goods only** and **no services are considered.**
- The **taxes are also not included in the WPI** in order to remove the impact of fiscal policy.
- The index basket of the WPI covers commodities falling under the three major groups namely **Primary Articles, Fuel and Power and Manufactured products.**
- WPI measures the price paid by Manufacturers and Wholesalers and calculate the **inflation at the 1st stage of transaction.**
- Base Year of calculation of WPI is **2011-12.**

- While the **direction of the Consumer Price Index** is often in sync with the **direction of WPI**, there may be a divergence as well.
- The reasons for the divergence between the two indices can also be partly **attributed to the difference in the weight of the food group in the two baskets.**

Consumer Price Index (CPI)

- Consumer Price Index **indicates the average change in prices of commodities at the retail level.**
- It is released by **Central Statistics Office** at 5:30 pm of 12th of every month. If 12th of a particular month is holiday, CPI is released on the next working day.
- CPI **considers both Goods and Services.**
- It measures the **prices paid by consumers** and calculates **inflation at the last stage of transaction.**
- Base year of calculation of CPI is **2012.**
- CPI is used as the **measure of inflation by RBI.**
- CPI basket comprises **448 items in rural and 460 items in urban.**
- In India, **there are four consumer price index numbers**, which are calculated, and these are: **CPI for Industrial Workers (IW), CPI for Agricultural Labourers (AL) CPI for Rural Labourers (RL) and CPI for Urban Non-Manual Employees (UNME).**

- While the Ministry of Statistics and Program Implementation collects CPI (UNME) data and compiles it, the remaining three are collected by the Labour Bureau in the Ministry of Labour.
- While the direction of the Consumer Price Index is often in sync with the direction of WPI, there may be a divergence as well.
- The reasons for the divergence between the two indices can also be partly attributed to the difference in the weight of the food group in the two baskets.