

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2933

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CPI AND WPI

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Will the Minister of FINANCE be pleased to state:

(a) whether the Consumer Price Index (CPI) and Wholesale Price Index (WPI) are taken into consideration while framing the financial policy of the country;

(b) if so, the details of weightage of the two indices therein;

(c) whether primacy has been given to the whole sale price index; and

(d) if so, the facts thereof and the changes likely to be made by the Government in future in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (d) There are two kinds of price indices used in India, one based on wholesale price and the second based on retail price of goods and services. The Wholesale Price Index (WPI) is representative of wholesale price of selected commodities and the weight assigned to each commodity is based on the value of transactions of that commodity. There are, at present three Consumer Price Indices (CPIs) viz. (i) Consumer Price Index for Industrial Workers (CPI-IW), (ii) Consumer Price Index for Agricultural Labour (CPI-AL) and (iii) Consumer Price Index for Rural Labour (CPI-RL). All Consumer Price Indices (CPIs) are representative of retail consumer prices, and based on the consumption pattern of different groups.

The WPI is the preferred index for measuring rate of headline inflation because of its wide coverage and shorter time-lag in availability of statistics relative to CPIs. However, the use of a particular index depends on which price in the economy is being examined and for what purpose the index is going to be used. The CPI-IW is primarily used for determination of Dearness Allowance (DA) and revision of pay of Government Employees and workers. The CPI-AL and CPI-RL are considered as guiding factor for fixation and revision of minimum wages of labourers engaged in agricultural occupation under the Minimum Wages Act, 1948. These indices, besides being utilized for wage indexation are also used for measuring the inflationary trend in the country.

The new series of CPI (Rural), CPI (Urban) and CPI (Rural+Urban) on base 2010=100 for the month of January 2011 are proposed to be brought out in February 2011 by the Central Statistics Office (CSO) of the Ministry of Statistics and Programme Implementation. This will cover all segments of rural and urban population and the indices will be released at National and Sub-national level.