

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2697

ANSWERED ON:11.03.2011

MEASUREMENT OF INFLATION RATE

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Will the Minister of FINANCE be pleased to state:

- (a) whether the present system of inflation measurement is an adequate indicator of inflation rate in the country;
- (b) if so, the details thereof; and
- (c) if not, the steps taken to make inflation measurement more rational as recommended by the National Statistical Commission and for the revision of base year more frequently to capture the changes in industrial structure on account of liberalisation?

Answer

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

(a) to (c) Inflation in India is measured both in terms of the Wholesale Price Index (WPI) and Consumer Price Index (CPI). The most popular measure of inflation in India is WPI because of its wider coverage. Department of Industrial Policy and Promotion (DIPP) has released, on 14 September 2010, a new series of WPI with 2004-05 as the base year replacing the old series with 1993-94 as the base year. The base year of the WPI series is generally revised once in a decade. So far the base year of WPI has been revised five times since 1952-53. The National Statistical Commission (2001) recommended that as the current Consumer Price Index (CPI) series does not provide changes in the prices for the entire rural and urban population, since they are designed to measure the changes in the prices of goods and services consumed by specific segments of the population, there is a need to compile the CPI separately for the entire rural and urban population. As a follow up, the Central Statistics Office (CSO) of the Ministry of Statistics and Programme Implementation has released new series of CPI on 18th February 2011 with base 2010=100 for CPI-Rural, CPI-Urban and CPI-Combined for the month of January 2011. Going forward further revisions in the base year of CPI (Rural/Urban/Combined) would be on the basis of the Consumer Expenditure Survey generally conducted by National Sample Survey Organisation (NSSO) every five years.