

Inflation Rate based on the Consumer Price Index

5.17 The Consumer Price Index captures the retail price movement for different sections of consumers. There are at present three consumer price indices (CPI) covering different socio-economic groups in the economy.

5.18 The Consumer Price Index for Industrial Workers-CPI(IW) (with 1982 base) measures monthly movement of retail prices of various goods and services in various industrial townships. The Central Government employees' wage compensation is done twice a year based on movement of this index.

5.19 The Consumer Price Index for Urban Non Manual Employees - CPI(UNME) (with 1984-85 base) monitors prices of goods and services in various cities on a monthly basis. Banks and Embassy employees are known to use this index for wage compensation.

5.20 The Consumer Price Index for Agricultural Labourers- CPI(AL) (with 1986-87 base) is used

for fixation and revision of minimum wages in agriculture.

5.21 Amongst the above three CPIs, CPI(IW) is the most commonly used. (Fig 5.2) The inflation rate based on the CPI(IW) remained moderate to low during the current financial year. It was below 4 percent level from August 2000 till July 2001. Thereafter it rose to 5.2 percent in August 2001 but once again fell to 4.7 percent in September 2001, and further to 4.2 percent in October 2001. (Table 5.2 and 5.6) The CPI(IW) based inflation rate rose marginally to 4.9 percent in November and to 5.2 percent in December 2001. Food items comprise about 57 percent of the weight in the CPI(IW). Low CPI(IW) based inflation rate indicates that price rise in food and other essential commodities at the retail level remained subdued during the year. This is indicative of overall comfortable supply and availability situation in the country.

5.22 Table 5.7 lists recent trends in annual inflation rates based on Consumer Price Indices in various countries.

TABLE 5.6
Quarterly Movement in the CPI (IW)—by major commodity groups

(Per cent)

Major Group	Weight	2000-01				2001-02		
		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Nov
General	100.00	1.9	0.9	1.0	-0.9	1.7	2.8	1.0
Food	57.00	1.8	0.7	0.5	-2.3	2.2	3.0	1.2
Pan, Supari, Tobacco& Intox.	3.15	1.4	-0.1	-0.1	2.2	2.6	0.5	-0.2
Fuel & light	6.28	9.8	1.0	8.8	-0.7	-0.5	0.9	1.3
Housing	8.67	0.0	2.4	0.0	3.9	0.0	7.9	0.0
Clothing, bedding& footwear	8.54	1.3	0.0	-0.3	-2.1	4.2	0.4	0.5
Miscellaneous group	16.36	1.4	1.4	1.4	1.3	0.7	1.0	1.2

TABLE 5.7
Inflation Rates based on Consumer Price Index *(Per cent)*

Developed Economies	1993	1994	1995	1996	1997	1998	1999	2000
United States	3.0	2.6	2.8	2.9	2.3	1.5	2.2	3.4
Japan	1.2	0.7	-0.1	0.1	1.7	0.6	-0.3	-0.6
Germany	4.5	2.7	1.7	1.2	1.5	0.6	0.7	2.1
France	2.1	1.7	1.8	2.1	1.3	0.7	0.6	1.8
Italy	4.6	4.1	5.2	4.0	1.9	2.0	1.7	2.6
Britain	3.0	2.4	2.8	3.0	2.8	2.7	2.3	2.1
Canada	1.8	0.2	1.9	1.6	1.6	1.0	1.7	2.7
European Union	3.6	3.0	2.9	0.5	1.8	1.5	1.4	2.3
Developing Economies in Asia								
India	6.3	10.3	10.1	9.2	7.2	13.1	4.7	4.0
China	14.7	24.1	17.1	8.3	2.8	-0.8	-1.4	0.4
Indonesia	9.7	8.5	9.4	7.9	6.2	58.0	20.7	3.8
Malaysia	3.6	4.1	3.5	3.5	2.7	5.3	2.7	1.5
Pakistan	10.0	12.4	12.3	10.4	11.4	6.2	4.1	4.4
Thailand	3.4	5.1	5.8	5.9	5.6	8.1	0.3	1.5

Source: World Economic Outlook, October 2001

Note: Inflation rates are based on average of the period indices