

Consumer Price Index (CPI)

The Consumer Price Index or CPI is an index used to calculate the inflation in the country. Considering the WPI and CPI, the RBI will calculate the inflation in India.

Indian Economy is a major subject of the General Studies Paper-3 section in the [UPSC Syllabus](#). Aspirants can expect questions from this topic for UPSC prelims, mains or even in the Economics optional paper.

What is CPI?

Consumer Price Index or CPI is the measure of changes in the price level of a basket of consumer goods and services bought by households. CPI is a numerical estimation calculated using the rates of a sample of representative objects the prices of which are gathered periodically.

- The CPI captures changes in price level at the consumer level.
- Changes in prices at the producer level are tracked by the [Wholesale Price Index \(WPI\)](#).
- CPI can capture the change in the prices of services which the WPI cannot.

Types of CPI

CPI for Industrial Workers (CPI-IW)	<ul style="list-style-type: none"> • It tries to measure the alterations over a time period on the prices of a fixed basket of goods and services utilised by Industrial Workers. • The target group would be an average working-class family from any of these seven sectors of the economy ranging from factories, mines, plantation, motor transport, port, railways to electricity generation and distribution. • Compiled by the Labour Bureau.
CPI for Agricultural Labourers (CPI-AL)	<ul style="list-style-type: none"> • The Labour Bureau compiles this data to revise minimum wages for agricultural labour in different States.
CPI for Rural Labourer (CPI-RL)	<ul style="list-style-type: none"> • Also compiled by the Labour Bureau.
CPI (Rural/ Urban/ Combined)	<ul style="list-style-type: none"> • The <i>Central Statistics Office (CSO)</i> which is now the National Statistical Office (NSO) compiles this data

Note: CPI for Agricultural and Rural labourers on base 1986-87=100 is a weighted average of 20 constituent state indices and it measures the extent of change in the retail prices of goods and services consumed by the agricultural and rural labourers as compared with the base period viz '86-87. This index is released on the 20th of the succeeding month.

To read in detail about The Bubble of 'Benign' Inflation, check [June 2nd Week 2019 EPW](#).

UPSC Questions related to Consumer Price Index or CPI

What is the Consumer Price Index?

- The Consumer Price Index or CPI is responsible for tracking the shift in **retail prices** of essential and daily goods and services consumed by households across the country.

What is the CPI in India?

- Consumer Price Index or CPI is the measure of changes in the price level of a basket of consumer goods and services bought by households.
- Considering the WPI and CPI, the RBI will calculate the inflation in the country.

What is the CPI formula?

- The Consumer Price Index or CPI is calculated by multiplying 100 to the fraction of the cost price of the current period and the base period.
- CPI Formula :
 - $(\text{Cost of basket in current period} / \text{Cost of basket in base period}) \times 100$

