

3. New CPI Series – Economy

The Ministry of Statistics and Programme Implementation (MoSPI) has released a new Consumer Price Index (CPI) series with base year 2024, replacing the outdated 2012 series to better reflect changing consumption patterns. Key updates include a reduced weight for food and beverages (36.75%), the inclusion of modern items like online subscriptions and rural house rent, and alignment with global classification standards.

Release Authority – The Ministry of Statistics and Programme Implementation (MoSPI) has released the new Consumer Price Index (CPI) series data.

New Base Year – The updated series is based on the base year 2024.

Previous Series – The earlier series had a base year of 2012 and relied on consumption patterns from 2011-12.

Data Source – The new series is reconstituted using the consumption basket derived from the results of the 2023-24 Household Consumption Expenditure Survey (HCES).

About Household Consumption Expenditure Survey (HCES)

Purpose – It is designed to collect comprehensive information on the consumption and expenditure of households regarding goods and services.

Utility – The survey helps in understanding –

1. Consumption and expenditure patterns.
2. Standard of living.
3. Well-being of households.

Features of the New CPI Series

Reduced Weight of Food and Beverages – The weight assigned to food and beverages in the overall CPI has been significantly reduced to 36.75% from the previous 45.86%.

Improved Representativeness – The revised CPI basket includes a larger number of goods and services, making the index more reflective of current consumption habits. **Wider Market Coverage** – The price collection mechanism has been expanded to cover more marketplaces across the country.

Inclusion of Online Marketplaces – For the first time, prices from 12 online marketplaces have been incorporated into the CPI calculation, acknowledging the shift towards e-commerce.

Alignment with International Standards – The revised series follows the COICOP 2018 (Classification of Individual Consumption According to Purpose) framework. It incorporates 12 consumption categories, aligning with global practices.

Greater Granularity and Global Comparability – The classification has transitioned from the earlier 6 broad groups to 12 detailed divisions. This enhances classification depth and improves comparability with international inflation benchmarks.

Changes in the CPI Basket Items

Category	Details
Total Items	The new basket contains 358 goods and services, up from 299 in the erstwhile basket.
New Items Added	• Rural house rent (introduced for the first time) • Online media and streaming services (OTT) • Value-added dairy products • Barley and related products • Pen drives, external hard disks • Attendant and babysitter services • Exercise equipment • Cleaner fuels (CNG/PNG)
Items Removed	• VCR/VCD/DVD players

	• Tape recorders and Radios • CD/DVD cassettes • Second-hand clothing • Coir/rope
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Need for Revision

Outdated Base Year and Survey Data – The old series (Base Year 2012) relied on 2011-12 consumption patterns which no longer reflect current economic realities.

Example – With 80 crore households receiving free foodgrain, the proportion of expenditure on food has naturally reduced.

Emergence of New Services – Several new service offerings have emerged over the last decade, such as over-the-top (OTT) video streaming and online marketplaces, which needed to be addressed.

Need for a Contemporary Inflation Measure – India's consumption behaviour has evolved significantly, necessitating a more contemporary measure to accurately track inflation.

About Consumer Price Index (CPI)

Definition – CPI measures the change in the retail prices of a representative basket of goods and services consumed by households over time.

Published By – National Statistical Office (NSO) under the Ministry of Statistics & Programme Implementation (MoSPI).

Frequency – It is released monthly. Current Base Year – 2024.

Types of CPI

Type	Compiler	Target Group/Purpose
CPI for Industrial Workers (CPI-IW)	Labor Bureau	Measures inflation for industrial workers; used for DA calculation.
CPI for Agricultural Labourers (CPI-AL)	Labor Bureau	Measures inflation for agricultural labourers.
CPI for Rural Laborers (CPI-RL)	Labor Bureau	Reflects price movements specifically for rural laborers.
CPI Combined	NSO	The headline retail inflation number used for monetary policy.

Significance of CPI

Primary Inflation Gauge – It serves as India's main measure of retail inflation, capturing changes in consumer prices across both urban and rural India.

Monetary Policy Anchor – It acts as the nominal anchor for the Reserve Bank of India's (RBI) inflation-targeting framework (target of $4\% \pm 2\%$), guiding interest-rate decisions.

Indexation Tool – It is used for indexation purposes, such as calculating the Dearness Allowance (DA) for government employees and for various social-sector transfers.

Real Sector Analysis – It helps deflate national accounts to derive real GDP and other real economic indicators from nominal data.

Comparison – CPI vs WPI (Wholesale Price Index)

Feature	WPI (Wholesale Price Index)	CPI (Consumer Price Index)
Measures	Price changes at the wholesale/producer level.	Price changes at the retail/consumer level.
Coverage	Mostly goods (primary articles, manufactured items, fuel).	Goods and services consumed by households.
Purpose	Tracks producer inflation, industrial and trade policy.	Tracks consumer inflation, cost-of-living, and acts as a monetary policy anchor.
Impact	Influences industrial pricing, trade, and contracts.	Influences RBI policy, subsidies, and wages.

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