



Retail Inflation Dropped

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Why in News

According to the **Consumer Price Index (CPI) data released by the National Statistical Office (NSO)**, the **retail inflation in March 2020 dropped to 5.91%** due to decrease in demand and lowered food prices.

Key Points

- **Retail inflation (or CPI-based inflation) decreased to 5.91%** in March 2020 from 6.58% in February 2020.
 - The retail inflation rate was based on 66% of the usual price quotations as the **nationwide lockdown** to counter **Covid-19 pandemic** had led to suspension of fieldwork for price collection after March 19, 2020.
- The **inflation rate in March 2020 remained within the Reserve Bank of India's (RBI's) medium-term target of 4±2%** for **Consumer Price Index (CPI) inflation**.
 - This was due to suppressed demand, especially for non-essential items, as the lockdown was imposed towards the end of March, 2020.
 - This **inflation range (4% within a band of +/- 2%) was recommended by the committee headed by Urjit Patel** in 2014.
- **Fuel and Light segment:** The inflation rose to 6.59% from 6.36% in February 2020.
- **Food inflation moderated to 8.76%** from 10.81% in March 2020.
 - The food price inflation of various items like vegetables, spices, pulses continue to be in double digits.
 - Pressure is expected due to the shortages witnessed in different centres with mandi arrivals being affected due to lockdown.

- According to economists, inflation is expected to be brought down by **low energy prices and subdued economic activity**. However, the food price inflation of 8.7% will tend to increase.
 - It is expected that the **Reserve Bank of India (RBI)** undertakes further repo **rate cuts**, though inflation may not remain the primary deciding factor in view of the **other economic impact due to Covid-19**.
 - **Repo Rate** is the rate at which the RBI lends money to commercial banks in the event of any shortfall of funds.
 - When RBI increases the repo rate, this acts as a disincentive for banks to borrow from the central bank. This ultimately reduces the money supply in the economy and thus helps in arresting inflation.
 - The RBI reduces the repo rate in the event of a fall in inflationary pressures. Ideally, a low repo rate should translate into low-cost loans for general masses.

Inflation

- Inflation refers to the **rise in the prices of most goods and services** of daily or common use, such as food, clothing, housing, recreation, transport, consumer staples, etc.
- Inflation measures the average price change in a basket of commodities and services over time.
- Inflation is indicative of the decrease in the purchasing power of a unit of a country's currency. This could ultimately lead to a deceleration in economic growth.
- However, a **moderate level of inflation is required in the economy** to ensure that production is promoted.
- In India, the **Ministry of Statistics and Programme Implementation** measures inflation.
- In India, inflation is primarily measured by two main indices — **WPI (Wholesale Price Index) and CPI (Consumer Price Index)** which measure wholesale and retail-level price changes, respectively.
 - The CPI calculates the difference in the price of commodities and services such as food, medical care, education, electronics etc, which Indian consumers buy for use.
 - The CPI has five sub-groups including food and beverages, fuel and light, housing and clothing, bedding and footwear.

The National Statistical Office

- NSO is the **central statistical agency of the Government** mandated under the **Statistical Services Act 1980** under the Ministry of Statistics and Programme Implementation.

- It is responsible for the development of arrangements for **providing statistical information services** to meet the needs of the Government and other users for information on which to base policy, planning, monitoring and management decisions.
 - The services include collecting, compiling and disseminating official statistical information.
 - All business operations in NSO are done in compliance with **international standards, procedures and best practices**.

Source : IE