



## Inflation Data: October 2020

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### Why in News

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Recently, the wholesale price inflation data for the month of October 2020 was released.

The wholesale price-based inflation is measured by **Wholesale Price Index (WPI)**.

### Key Points

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- **Wholesale Inflation:**

- **Wholesale price inflation** increased to the highest level in eight months, reaching **1.48% in October 2020**, compared with **0% in October 2019** and **1.32% in September 2020**.

It was driven by manufactured items as per the data released by the **commerce and industry ministry**.

- The **manufactured product group inflation** hit a 19-month high of **2.1%**, and **core inflation** accelerated to the highest level in 18 months at **1.7%**.
- Core Inflation excludes volatile goods from the basket of commodities tracking Headline Inflation. These volatile commodities mainly comprise food and beverages (including vegetables) and fuel and light (crude oil).

**Core inflation** = Headline inflation – (Food and Fuel) inflation

- **Implication:**

- Increase in core inflation suggests improvement in demand conditions, which have improved after the Covid-19 related lockdown was lifted.
- As a large part of this is due to festival related demand, it will be too early to term this as a general recovery.

### 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, 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.

### **Wholesale Price Index**

- It measures the changes in the prices of goods sold and traded in bulk by wholesale businesses to other businesses.
- Published by the **Office of Economic Adviser, Ministry of Commerce and Industry**.
- It is the most widely used inflation indicator in India.
- Major **criticism** for this index is that the general public does not buy products at wholesale price.
- The **base year** of All-India WPI has been revised from 2004-05 to 2011-12 in 2017.

**Source: TH**