

Base Year Revision of Consumer Price Index (CPI)

The Central Statistics Office (CSO) releases Consumer Price Indices (CPI) for Rural, Urban and Combined, at State/UTs and all India level, w.e.f. January 2011. The Base Year of this series of CPI is 2010=100 and weighting diagrams are based on the results of Consumer Expenditure Survey (CES) 2004-05.

2. Now the CSO is in the process of revising the Base Year from 2010=100 to 2012=100. The weighting diagrams have been prepared on the basis of the results of CES (2011-12). With this revision, the gap between Price Reference Year (Base Year) and the Weight Reference Year has been minimized. Apart from this, a number of methodological improvements have been introduced in the revised series, which are as follows:

- ✓ Weighting diagrams have been prepared using the Modified Mixed Reference Period (MMRP) data of CES (2011-12), to make consistent with the international practice of shorter reference period for most of the food items and larger reference period for the item of infrequent consumption/purchased. In the old series (Base Year 2010=100), Uniform Reference Period (URP) data were used.
- ✓ In the existing series of CPI, COICOP (Classification of Individual Consumption According to Purpose), an international standard classification, is being followed broadly, whereas in the revised series, it would be completely followed, except a few deviations which are necessary for Indian context.
- ✓ The Geometric Mean, instead of Arithmetic Mean being used in the old series, of the price relatives with respect to base prices would be used to compile elementary/item indices.
- ✓ In case of PDS items, prices of Antyodaya Anna Yojanna (AAY) have also been included in addition to Above Poverty Line (APL) & Below Poverty Line (BPL) prices being taken in the existing series.

3. Due to change in the consumption pattern from 2004-05 to 2011-12, the weighting diagrams (Share of expenditure to total expenditure) have changed. A comparison of weighting diagrams of the existing and revised series is given in the table below:

Table: Comparison of weighting diagrams of the existing and revised series of CPI

Group Description	Existing Series of CPI (Weights computed on the basis CES 2004-05)			Revised Series of CPI (Weights computed on the basis CES 2011-12)		
	Rural	Urban	Comb.	Rural	Urban	Comb.
Food and beverages	56.59	35.81	47.58	54.18	36.29	45.86
Pan, tobacco and intoxicants	2.72	1.34	2.13	3.26	1.36	2.38
Clothing and Footwear	5.36	3.91	4.73	7.36	5.57	6.53
Housing		22.54	9.77		21.67	10.07
Fuel and Light	10.42	8.40	9.49	7.94	5.58	6.84
Miscellaneous	24.91	28.00	26.31	27.26	29.53	28.32
Total	100.00	100.00	100.00	100.00	100.00	100.0

Comb: Combined.

4. In the CES (2011-12), some of the items of CES (2004-05) were dropped from the schedule and a few new items were added. Market survey was conducted to identify shops, fix specifications and collect prices of the new items. Based on the availability of prices, a few new items have been included in the revised series. At the same time, some of items of the existing series have been dropped, in respect of which, prices have not been reported for quite a long period of time. Accordingly, the number of priced items has changed from 437 to 448 in rural and from 450 to 460 in urban at all India level. The number of priced items varies from State to State. If a particular item has occurred in any State, that item has been considered in the All India item basket. In the revised series, 11 new priced items have been added, without dropping any item, in rural sector at all India level. In case of Urban, 7 priced items have been dropped and 17 new priced items have been added.

5. Adopting the aforementioned improvements in methodologies, the first series (revised) would be compiled for the month of January 2015 and released on 12th February 2015. In order to estimate the old series of CPI, using the revised series, a linking factor would be provided. The year on year inflation rates for each month of 2015 would be compiled and released, with the respective press release, using the Linking Factor. From January 2016 onwards, the inflation rates would be compiled using the actual CPI of the revised series, as the indices for a given month of the year 2015 and 2016.