

### 3. Retail Inflation

**Prelims Syllabus:** Inflation

**Mains Syllabus:** GS-II Inclusive growth and Issues Arising from it.

#### Why in News?

- Recently, The Consumer Price Index (CPI) data has been 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.

#### Highlights:

- Its 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, which is due to suppressed demand, especially for non-essential items, as the lockdown was imposed towards the end of March,2020.
- The inflation rose to 6.59% from 6.36% in Fuel and Light segment February 2020. The Food inflation moderated to 8.76% from 10.81% in March 2020. The 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.
- The 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. **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:**

- It 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.
- It measures the average price change in a basket of commodities and services over time.
- It 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.
- It is measured by the Ministry of Statistics and Programme Implementation.
- It is primarily measured by two main indices – WPI (Wholesale Price Index) and CPI (Consumer Price Index) which measure wholesale and retail-level price changes.
- The CPI has five sub-groups including food and beverages, fuel and light, housing and clothing, bedding and footwear.

### **About the National Statistical Office:**

- It 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.
- Its 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.