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RBI Working Paper Series No. 5/2017
Comparison of Consumer and Wholesale Prices Indices in India:
An Analysis of Properties and Sources of Divergence

The Reserve Bank of India placed on its website today a Working Paper* titled "[Comparison of Consumer and Wholesale Prices Indices in India: An Analysis of Properties and Sources of Divergence](#)" by Praggya Das and Asish Thomas George under the Reserve Bank of India Working Paper Series.

A key feature of the inflationary process during 2015-16 was the large divergence in the Consumer Price Index (CPI) and Wholesale Price Index (WPI) inflation. The CPI-WPI divergence resulted in considerable debate amongst policy makers and academia on its causes and its implications for monetary policy. In this context, this paper provides a comparative assessment of CPI and WPI in terms of its key characteristics, particularly on the method of compilation, distributional properties and measures of underlying inflation. The paper further attempts a full reconciliation of inflation divergence between CPIs and WPI with particular emphasis on 2015-16. The analysis shows that differences in weight for similar items as well as differences in composition played a crucial role in determining the level and duration of observed divergence between the retail and wholesale prices inflation.

* The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.

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