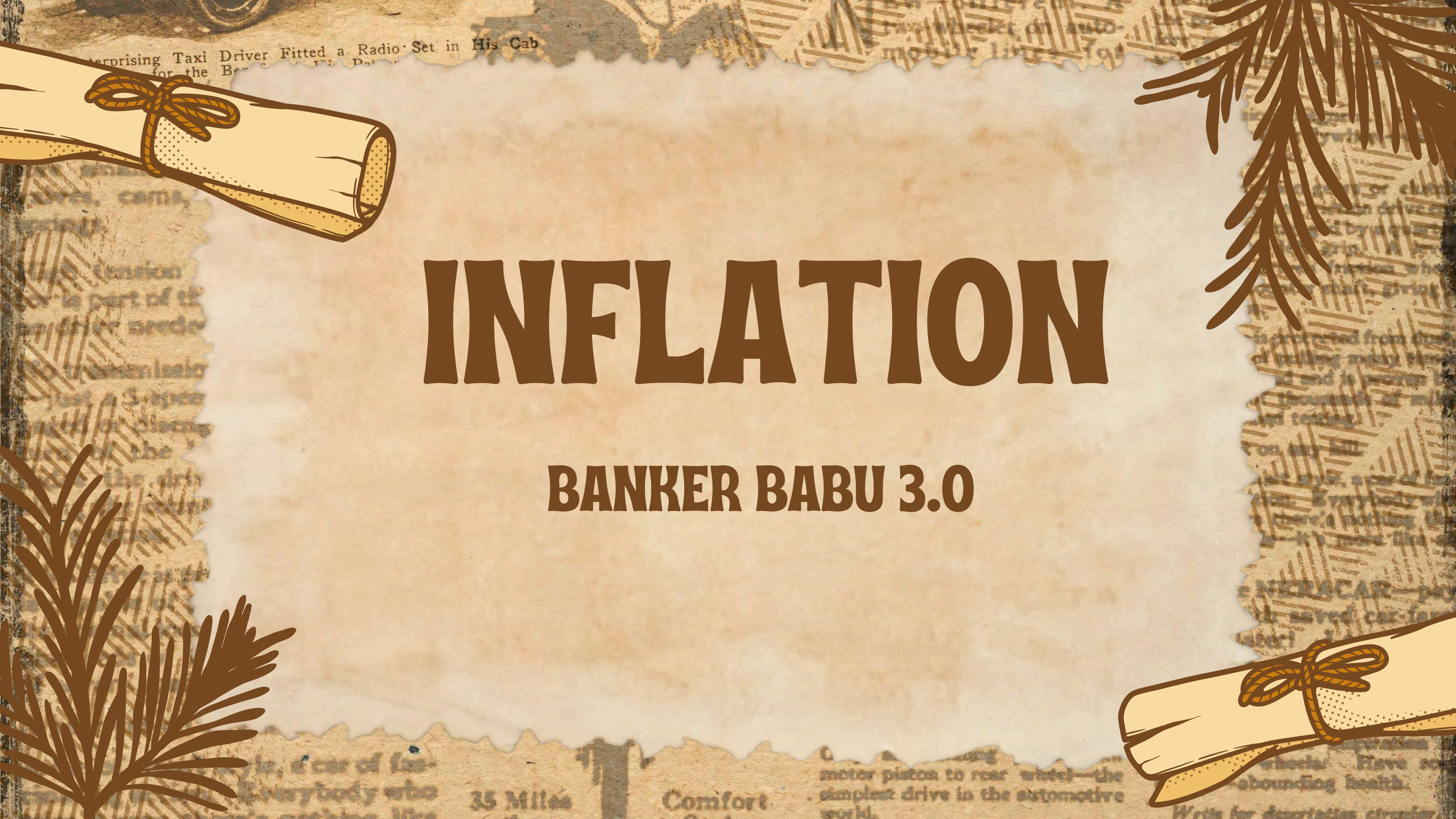




INFLATION

BANKER BABU 3.0

INTRODUCTION

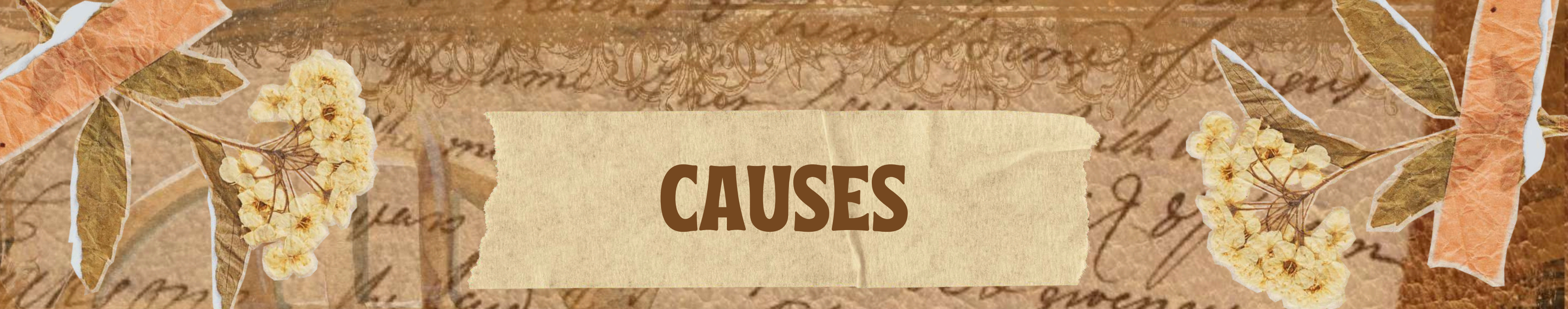


- It refers to a steady rise in the prices of various goods and services in the economy.
- It is **measured on a year-on-year basis.**

INTRODUCTION



- It is usually expressed as a rate as follows:
- **Rate of Inflation = (Price in this Period – Price in the Previous Period) X 100/Price in the Previous Period**
- Period Chosen is called as Base Year.



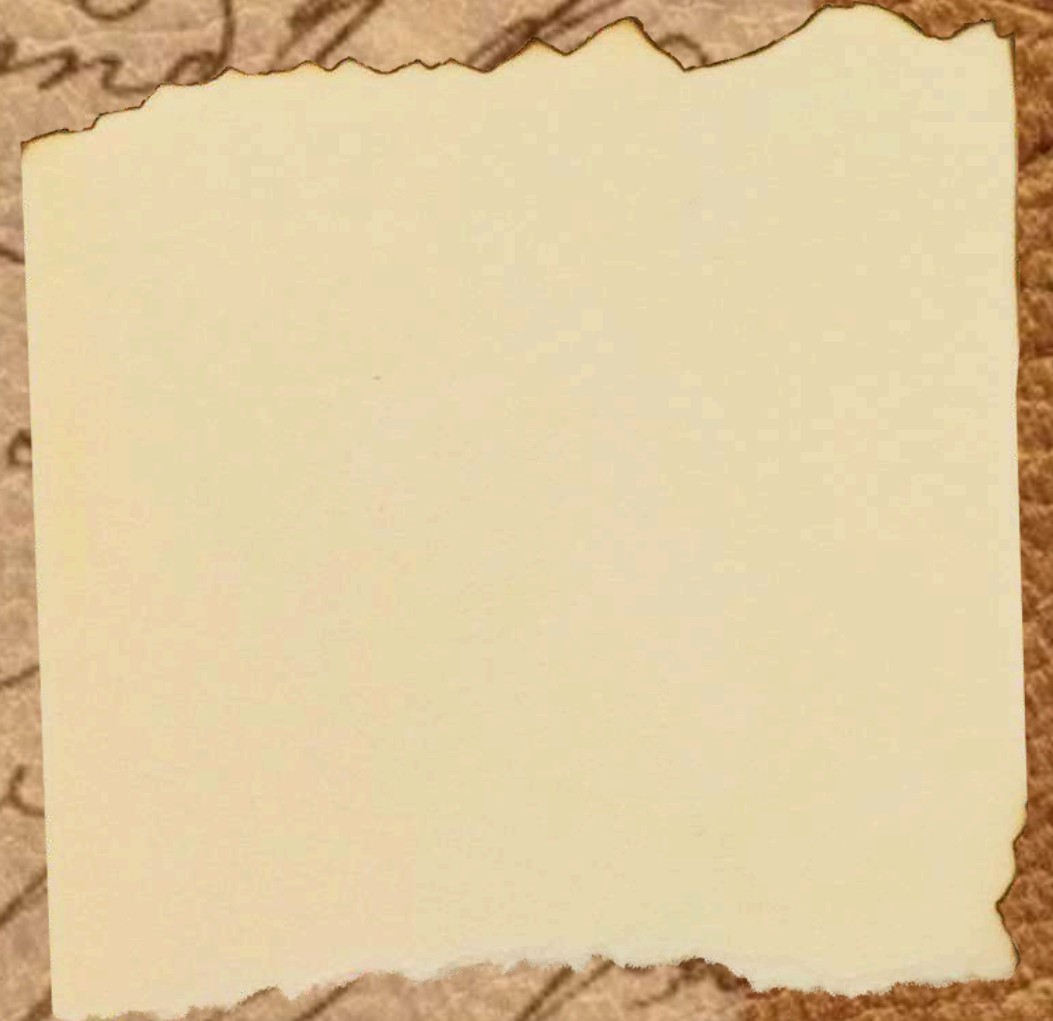
CAUSES

**DEMAND
PULL**

**COST
PUSH**

**MONETERISTIC
MODEL**

CAUSES



TYPES OF INFLATION

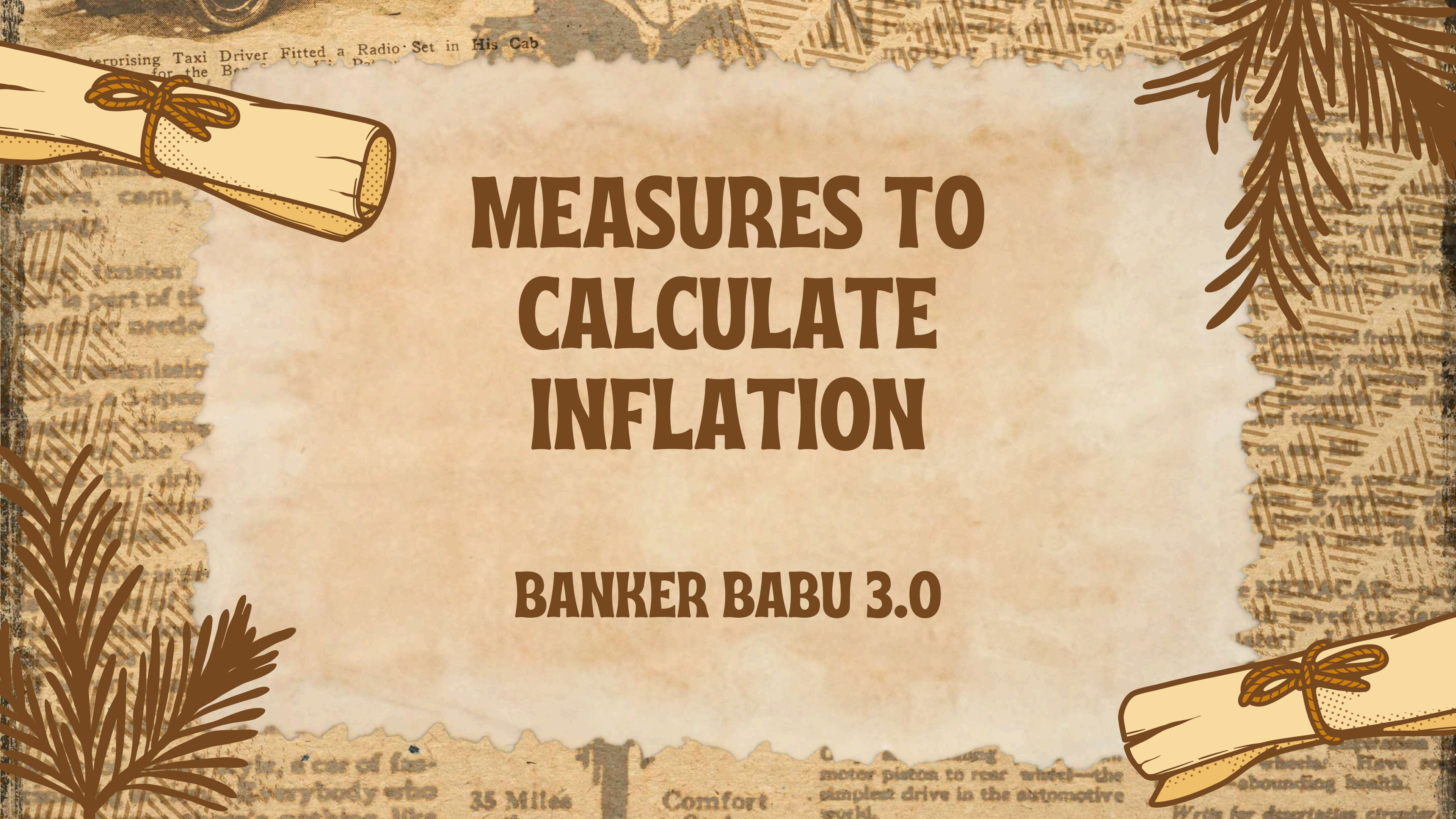
Creeping Inflation

Walking Inflation

Galloping Inflation

Hyperinflation





MEASURES TO CALCULATE INFLATION

BANKER BABU 3.0

Surprising Taxi Driver Benefit for the



Radio Set in His Cab
Patrons

INDEX

WHOLESALE
PRICE INDEX

CONSUMER
PRICE INDEX

35 Miles

Comfort

Only six running parts from motor piston to rear wheel—the simplest drive in the automotive world.

ation. Get the inspiration flying on wheels. Have ro cheeks—abounding health.

Write for descriptive circular



Wholesale Price Index (WPI)

- It measures the average change in the price of commodities traded in the wholesale market.
- It measures the average change in the prices of commodities for bulk sale at the level of the early stage of transactions in the domestic markets of India.



Wholesale Price Index (WPI)

It covers 3 commodity groups:

1. Primary Products
2. Fuel, and Power
3. Manufactured Products

Thus, the WPI basket does not cover Services.

Wholesale Price Index (WPI)

- It is compiled and released by the **Office of Economic Advisor, Ministry of Commerce and Industry** on a monthly basis.
- The **Base year for WPI is – 2011-12.**

Consumer Price Index (CPI)

- It measures the **average change in prices paid by ultimate consumers for a particular basket of goods and services** over a period of time.
- Consumer Price Index (CPI) measures changes over time in the general level of prices of goods and services that households acquire for the purpose of consumption.

Consumer Price Index (CPI)

- Three types of CPI : CPI (Rural), CPI (Urban), CPI (Combined)
- Items in each index : 256
- Base year of CPI (Combined) : 2012

Basis	Wholesale Price Index (WPI)	Consumer Price Index–Combined (CPI (Combined))
Base Year	2011–12	2012
Number of Commodities	Higher (around 697)	Lower (around 200)
Services	Not included.	Includes services.
Weightage of Food Products	Food items have lesser weight (around 22%)	Food items have greater weight (around 46%).
Level of Price Rise	The rate of WPI–based inflation is generally low compared to CPI–based inflation.	The rate of CPI–based inflation is generally high compared to WPI–based inflation.
Suitability as a Measure of Inflation	WPI is a less suitable measure of inflation and hence less suitable for making monetary policy decisions.	CPI is a more suitable measure of inflation and hence more suitable for making monetary policy decisions.

Retail inflation marginally eases to 4.83% in April, but food prices continue to rise

Food infla
month

Wholesale inflation in April quickens to 13-month high of 1.26% on spikes in power, food prices

Online • Last Updated: May 14, 2024, 01:31:00 PM IST

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Synopsis

India's wholesale price index-based inflation accelerated to 1.26 per cent in April, a 13-month high, according to data from the Commerce Ministry. The increase was attributed to a major shortage in onion supply until the next kharif crop, which is expected to be a reversal from the current scenario. Potato WPI also accelerated by 71.97 per cent in April, compared to 52.96 per cent in March. The month-over-month change in WPI index for April 2024 stood at 1.26 per cent. Wholesale food inflation also increased to 5.52 per cent on an annual basis, while food inflation grew 1.94 per cent on a MoM basis.

Effects of Inflation



Redistribution of Income and Wealth

Borrower (Debtor) Vs Lender (Creditor)

Producer Vs Consumer

Flexible Income Group Vs Fixed Income Group



Effects of Inflation



Debentures or Bond Holders Vs Issuers

Borrower (Debtor) Vs Lender (Creditor)

Effects on Production and Consumption

Savings, Growth and Employment, BOP, Exchange
Rate



Surprising Taxi Driver
for the benefit



Radio Set in His Cab
Patrons

Measures to Control Inflation

Monetary

Fiscal

INFLATION RELATED TERMS



STAGFLATION

SKEWFLATION

REFLATION

CORE INFLATION



INFLATION AND RELATED TERMS

INFLATION

- Rise in goods/services prices; corresponding decline in purchasing power
 - **Creeping Inflation:** Mild/moderate inflation where price level persistently rises over a period of time at a mild rate (single digit inflation rate)
 - **Galloping Inflation:** Occurs when mild inflation is not checked/controlled (inflation in double/triple digits - 20/100/ 200% annually)
 - **Hyperinflation:** Prices rise a million or even a trillion percent annually (witnessed by Germany in 1920s)

CORE INFLATION

- Change in costs of goods/services but **excluding those from food/energy sectors** (due to price volatility)

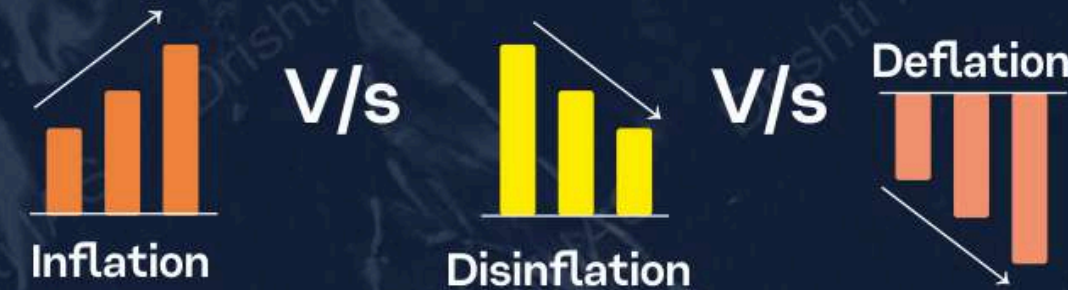
HEADLINE INFLATION

- **Headline Inflation** - Change in value of all goods in the basket (including food and energy)

DISINFLATION

- When inflation rate decelerates
 - Implies that prices are rising (inflation is happening) but at a slower rate each passing month

Deflation is decline in prices, whereas disinflation is a decline in inflation rate



REFLATION

- Typically follows deflation
 - Policymakers try to stimulate economic activity by producing inflation (more govt spending, reduced interest rates etc.)

SKIEWFLATION

- Skewness of inflation among different sectors of the economy - some sectors facing huge inflation while some none and some even deflation

Core = Headline – Food & fuel items

STAGFLATION

- When **Inflation, unemployment and economic stagnation** /recession occur simultaneously; **most difficult type of inflation** to manage
 - Witnessed by developed countries in the **1970s (US, UK)** when world oil prices rose dramatically

DEFLATION

- Reverse of inflation** – a sustained decline in price of goods/services
 - Here, **annual inflation rate falls below 0%** resulting in an increase in the real value of money (Japan suffered for almost a decade in **1990s**)
 - Can worsen into recession/depression**; hence, more

GREEDFLATION

- Where (corporate) greed is fuelling inflation; **companies increasing their prices beyond just covering costs** to maximise profits

SHRINKFLATION

- Hidden form of inflation**; often leads to **customer frustration/dissatisfaction**
 - Practice of **reducing the size of a product** while maintaining its sticker price



Thank You!