

Date 28/4/21

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INFLATION

235-131 • WK 34

JUL 20

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AUG MDA I Sen Lecture by
SAT Mgr. Eco. MD. FIROZ ALAM

What are the two ways to measure inflation?

Inflation can be measured by two methods namely by determining changes in 1) price index Number (PINs) and comparing changes in 2) Gross National product (GNP) deflator

Why is india inflation so high?

Many may argue that the spike in inflation could be an outcome of proactive policy response. However, India inflation has historically been driven by high food prices. A major reason, for post lockdown high inflation is supply disruptions along with spike in MSP.

What is india inflation in 2020?

23 SUN

2020 =

2019

2018

2017

Inflation rate compared to previous year

2020	4.95%
2019	4.76%
2018	3.43%
2017	3.6%

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INFLATION

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Current rate of inflation year

2021.

The all index general CPI inflation rose to 5.52% in march 2021 (new base 2012=100) compared with 5.03% in Feb 2021. The corresponding provisional inflation rate for rural area was 4.61% and urban area 6.52% in march 2021 as against 4.19% and 5.96% in Feb 2021.

Types of inflation :-

1. Creeping or Hypo inflation - This inflation consist of price rate range of 3% or less than annual rate to be increase slowly. In this inflation rate may be increase slowly. As when inflation rate increase 2-3%, it is ideal inflation, demand of product has increased.
2. Walking inflation: This inflation rate of range has 3-10 per cent increased known as walking inflation. If price rate more than 5% increases inflation annually. govt has to be alert to control inflation. This situation of inflation is harmful economy and alert situation.
3. Running Inflation - As and when price rate of inflation has to be increased by 10-20% percent annually. This ²⁰²⁰ inflation is dangerous sign of economy.

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JUL 20

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Govt should be alert and control economic policies.

4. Galloping Hyper inflation - This inflation consist of price rate may be increase 20 - 100% per cent increase annually. The specific Galloping inflation consist of 20 - 50%.

If in this situation continuity of price rate will not control by the govt of monetary policies damaged. This situation is unstable and lost of confidence on currency that's why investor has lost faith for investment.

EX - WAR CONDITION, Germany 1920, Zimbabwe.

5. Structure / Bottle neck inflation - In this situation all of sudden fall in demand of commodities.

EX - ONION, TOMATO.

6. Core inflation In this inflation regular or permanent inflation of petroleum product like petrol, Diesel price increases on regular basis.

7. Stagflation : In this inflation economic growth become zero.

That's why resulted No job employment, economic growth less. Govt has taken monetary policies to cope up situation.

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8. Recession - In this inflation growth rate shows negative. That means occur mass unemployment, close industry and slow growth of GDP.

Difference between WPI & CPI

WPI (Whole sale price index) - Consumer Price Index CPI

WPI

Whole sale price index
Covered items 697 goods.

CPI

A set of basket of goods
Covered 400 goods

Data released from office of Economic ministry of Commerce & Industry

CPI released data from Central Statistic office (Ministry of Statistic & programme Goods & Services

448 (Rural basket)
460 urban basket

Base year 2011-12

Oct 2018 - 0.1%

Lowest - 0.16%

CPI Oct 2018 4.6%

CPI - 4.6%

- ① Primary Food - 22%
- Fuel oil power - 13.15%
- Manufacturing - 6%
- Food inflation - 0.16%

- Food Beverages 55%
- Tobacco
- Services
- Food inflation 7.89

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CPI

Governor Raghuram Rajan
change CPI to measure the
price before it measure by
WPI

2019 - WPI - 0.16 (40 month low)

CPI - 4.6%

Food items weightage like
milk

CPI - Food
Beverage 55%

Both WPI & CPI Comparable
WPI - 24%, weightage less

Recent data 0.16

CPI - 4.6%