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New Consumer Price Index (CPI) Series

Published On: 31-01-2026

In News: The Ministry of Statistics and Programme Implementation (MoSPI) has released the new Consumer Price Index (CPI) series, revising the base year from 2011–12 to 2023–24. The revision also reduces the weight of food and beverages from ~46% to ~37%, reflecting India's evolving consumption patterns.

What is CPI?

- The **Consumer Price Index (CPI)** is India's **headline measure of retail inflation**.
- It is used as the **anchor for monetary policy** under the **inflation targeting framework**.
- CPI measures changes in the **prices of a fixed basket of goods and services** consumed by households.

Why a New CPI Series?

- The previous CPI series (2011–12 base) became **outdated due to**:
- Rising incomes
- Urbanisation
- Shifts toward services, housing, transport, and digital consumption
- **Periodic base-year revision** aligns CPI with **current consumption behaviour**, a standard international practice.

Methodology of the New CPI Series

- **Base Year:** 2023–24
- **Data Source:** Household Consumption Expenditure Survey (HCES) 2023–24
- **Market Coverage:**
- 1,465 rural markets, 1,395 urban markets across 434 towns
- 12 online markets in large cities
- **Item Basket:** Expanded from **299 items to 358 items**
- **House Rent Index (HRI):**
- Coverage extended to rural areas
- Excludes employer-provided accommodation
- Includes e-commerce prices (airfares, OTT subscriptions, telecom plans)

Key Features of the New CPI

Feature

Old CPI (2011–12)

New CPI (2023–24)

Significance

Food & Beverages Weight

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~46%

~37%

Reflects Engel's Law: rising incomes → lower food share

Housing Weight

7%

17.66%

Captures rising expenditure on rent, utilities

Services

Limited

Transport, health, education, communication included

Captures structural shift to services

Digital Economy

Not included

OTT, telecom plans, online airfares included

Reflects modern consumption trends

Inflation Volatility

High sensitivity to food shocks

Lower sensitivity

Provides stable headline inflation for policy decisions

Significance

1 Improved Inflation Measurement

oCaptures current consumption patterns and urban–rural differences.

oMakes inflation data **more credible and relevant**.

2 Aid to Monetary Policy

oReduced food weight lowers noise from **weather-driven supply shocks**, assisting **RBI's rate-setting decisions**.

3 Reflects Structural Transformation

oSignals India's transition from **food-led to housing- and services-led consumption**.

oHighlights growth in **digital economy and service sectors**.