

GENERAL STUDIES III

CPI Revision 2026: New Base Year, Basket & UPSC Notes

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Understand India's revised Consumer Price Index with base year 2024, updated consumption weights, and a broader basket. Explore its significance for inflation measurement and UPSC. India's revised CPI series updates the base year from 2012 to 2024 and uses household expenditure data from 2023–24. The article explains changes in coverage, classification, and weights, along with their implications for inflation analysis, policymaking and competitive examinations.

Revision of Consumer Price Index: India's New Inflation Basket Explained

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An inflation index must evolve as households change what they buy and where they shop. India's revised Consumer Price Index updates the reference year, expenditure weights and consumption basket to make retail inflation measurement more representative of present-day spending.

UPSC relevance: GS Paper III — Indian economy, inflation and monetary policy; Prelims — economic indicators, institutions and basic statistical concepts.

Key fact: The revised CPI series uses **2024=100** and was first released on **12 February 2026**.

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1. What Is the Consumer Price Index?

The Consumer Price Index, or CPI, measures changes over time in the retail prices of a representative basket of goods and services purchased by households.

The National Statistical Office under the Ministry of Statistics and Programme Implementation compiles the broad CPI series for rural, urban and combined sectors. CPI is used to assess inflation and changes in the purchasing power of money.

Index level versus inflation rate

The index level measures prices relative to a reference period. The inflation rate measures the percentage change in that index over a specified interval.

$$\text{Year-on-year inflation (\%)} = \left[\frac{\text{CPI in the current month} - \text{CPI in the same month of the previous year}}{\text{CPI in the same month of the previous year}} \right] \times 100$$

For example, if comparable CPI values rise from 120 to 126 over a year, inflation is 5%. A lower positive inflation rate means prices are rising more slowly; it does not mean prices are falling.

2. Why Does CPI Need Periodic Revision?

- **Changing consumption:** Households alter their spending as incomes, lifestyles and demographics change.
- **New products:** Digital services and newer goods become relevant.
- **Obsolete items:** Some products lose their importance in household budgets.
- **Changing markets:** Online shopping and new retail channels affect where households make purchases.
- **Better methods:** Updated classification and data collection can improve statistical quality.

3. Major Changes in the Revised CPI Series

Key features of the 2026 CPI revision

Feature	Earlier series	Revised series
Base year	2012=100	2024=100
Source for basket and weights	Consumer Expenditure Survey 2011–12	Household Consumption Expenditure Survey 2023–24
Weighted items	299	358
Broad classification	Six major groups	Twelve divisions using COICOP 2018
Housing coverage	Rural housing component absent	Rural housing included
Shopping channels	Earlier market coverage	Expanded coverage, including selected online markets

A. Updated base year

The revised series sets the reference-year index at 100 for 2024. The expenditure survey period and the price reference year serve different purposes: HCES 2023–24 informs the basket and weights, while 2024 is the index base year.

B. Broader goods and services basket

The revised basket contains 308 goods and 50 services, compared with 259 goods and 40 services earlier.

New additions include streaming services, selected value-added dairy products, exercise equipment and services such as babysitting. Items removed include older technologies such as tape recorders and VCR/VCD/DVD players.

C. Expanded price collection

Officially reported coverage includes 1,465 rural markets and 1,395 urban markets across 434 towns. An additional 12 online markets cover selected large towns.

4. Understanding Weights and Classification

A weight reflects an expenditure category's relative importance in the consumption basket. A price rise in a heavily weighted category generally has a larger effect on the overall index than the same rise in a lightly weighted category.

The new series follows the **Classification of Individual Consumption According to Purpose — COICOP 2018**. Its twelve divisions separate categories such as transport, information and communication, health, education and restaurants.

Selected combined-sector weights

Selected weights in the revised CPI, base 2024=100

Division	Weight (%)
Food and beverages	36.753
Housing, water, electricity, gas and other fuels	17.665
Transport	8.796
Clothing and footwear	6.383
Health	6.100
Information and communication	3.609

Comparison caution: Changing classification can move expenditure between categories. The old headline food-and-beverages group had a weight of approximately 45.86%, while the new division has 36.753%.

This difference should not be attributed entirely to changing household spending. In the official comparison arranged under the new classification, the corresponding old-series food-and-beverages weight is 42.617%.

5. Why Does the Revision Matter?

A. Better representation of household spending

An updated basket can capture newer services and consumption patterns more effectively. Including rural housing also broadens coverage.

B. More useful inflation analysis

Greater detail helps analysts distinguish between pressures originating in food, housing, transport and other services. Policy responses can then address the underlying source of inflation.

C. Monetary-policy assessment

CPI inflation is central to India's inflation-targeting framework. Better measurement improves the information available to policymakers, but a statistical revision does not itself determine an interest-rate decision.

D. Business and household decisions

Reliable inflation statistics help businesses assess costs and households understand purchasing power. They also support analysis of real wages and inflation-adjusted economic trends.

6. Does Changing the Base Year Reduce Inflation?

Simply rescaling an unchanged index does not alter its percentage growth. If every observation is multiplied by the same constant, the inflation rate remains unchanged.

A comprehensive revision can nevertheless change measured inflation because it changes the basket, weights, coverage or methods.

The direction is not predetermined. If categories receiving higher weights experience stronger inflation, the revised measure may be higher; other price patterns may produce a lower rate.

7. Limitations and Interpretation Challenges

- **Average versus individual experience:** A household spending heavily on rent or food may experience inflation differently from the national average.
- **Quality changes:** Comparing a replacement product with an older model requires care when features differ.
- **Digital prices:** Discounts, delivery charges and changing online offers complicate price comparisons.
- **Comparability:** Old and new index levels should not be directly compared without an appropriate official linking method.
- **Provisional data:** Initial monthly estimates may subsequently be revised.

8. CPI, WPI and the GDP Deflator

Three different measures of price change

Indicator	Main coverage	Key distinction
CPI	Goods and services consumed by households	Focuses on consumer-facing price changes
WPI	Goods at the wholesale level	Does not include services
GDP deflator	Domestically produced final goods and services within GDP	Reflects the composition of domestic production

Also distinguish the broad CPI Rural, Urban and Combined series from specialised indices such as CPI for Industrial Workers. Different indices can have different baskets, purposes, compiling agencies and base years.

9. UPSC Prelims: Essential Takeaway

- The revised broad CPI base year is 2024=100.
- Its basket and weights draw on HCES 2023–24.
- The revised basket contains 558 weighted items.
- COICOP 2018 provides the classification framework.
- Rural housing is included in the revised series.
- A base-year change is different from a base effect.
- Lower, positive inflation means slower price increases.
- Weights measure expenditure importance, not price growth.

Practice Question

Consider the following statements:

1. India's revised broad CPI series uses HCES 2023–24 for its basket and expenditure weights.
2. Merely rescaling an unchanged price index to a new base necessarily lowers its inflation rate.
3. The revised CPI series includes rural housing.

Which statements are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

View answer and explanation

Correct answer: B. 1 and 3 only. Pure rescaling leaves percentage changes unchanged. Changes in measured inflation can instead arise from revised weights, coverage, products or methods.

10. UPSC Mains Practice

Question: "Periodic revision of the Consumer Price Index is essential for credible inflation measurement." Discuss its significance and implementation challenges. **(250 words)**

- **Introduction:** Define CPI and explain why consumption changes.
- **Revision:** Discuss the new base year, survey-based weights, broader basket and classification.
- **Significance:** Explain better measurement, policy analysis and assessment of purchasing power.
- **Challenges:** Examine quality adjustment, digital prices, comparability and household diversity.
- **Way forward:** Recommend transparent methods, regular updates, accessible data and clear public explanations.

Conclusion

Revising CPI improves the statistical lens through which inflation is assessed. Its credibility depends on representative expenditure weights, reliable price collection and transparent methods. The revision improves measurement; it does not itself change the prices households pay.

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