



## CPI-Series Change: An Analysis

### Highlights:

- ✓ *The CPI series is set to change with the new base year 2024=100*
- ✓ *The weightage of food will reduce significantly from the earlier 45.9 per cent to 36.8 per cent, though the baskets i.e. new and old are not comparable.*
- ✓ *To capture price movements on the e-commerce platforms, 12 online markets will be added in CPI 2024 series.*
- ✓ *Rural housing index to be disseminated for the first time in the CPI-C 2024 series.*

The Ministry of Statistics and Program Implementation (MOSPI) will introduce the new CPI series with the base year as 2024. The choice of the base year is not arbitrary and is based on the Household Consumption Expenditure Survey (HECS) which was conducted in 2022-23 to assess the relevant and important changes in domestic consumption trends. Based on this survey the weighting scheme for retail inflation will change for the January 2026 CPI inflation print. This has implications for monetary policy as Consumer Price Index-(Combined) is the monetary policy anchor and a better estimate of the same will lead to more nuanced and informed policy making in the near term.

### Why is the change necessary?

- The CPI-C has been in limelight since 2016, when RBI formally adopted the flexible inflation targeting (FIT) framework for monetary policy, and the CPI-C was instituted as the nominal anchor for monetary policy.
- The need to change the index over a (typically 10-year) period arises because consumption patterns undergo change, some of the goods and services may be outdated, while there may be new goods and services which are not captured by the existing index series making the series unrepresentative.
- These changes are captured in the Household Consumption Expenditure Survey (HCES) 2022-23, after a period of 11 years, (the last major survey was conducted in 2011-12). The revision of the (CPI-C) is not merely a change in the base year, from 2012 to 2024, it is the making of an entirely new series.
- Also, better methods of computing price indices and better data and sampling methods have been used to make the series refined so that informed policy decisions can be made by observing the data.

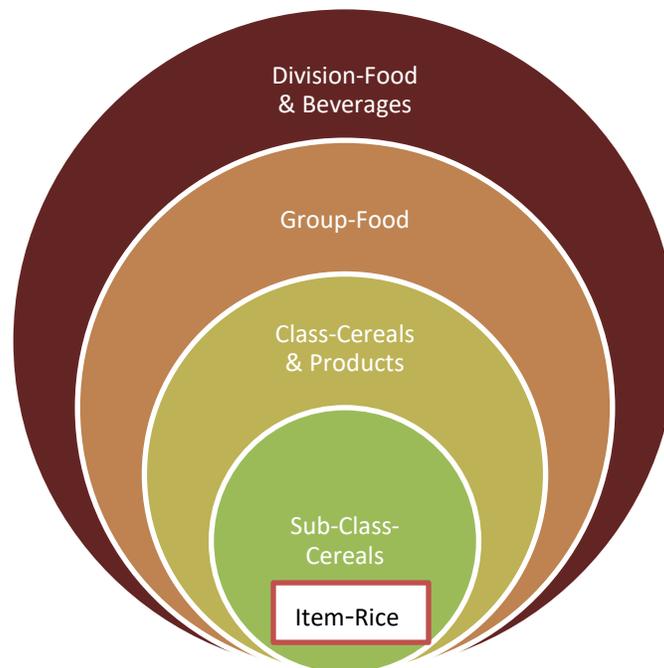
**Aditya Vyas**

[aditya@stcipc.com](mailto:aditya@stcipc.com)

022-66202245

### What are the changes in the new series?

- Any price index has one objective which is to measure the change in the general price level. Since prices are mapped to specific commodities or services, the general level of prices is not directly observable in the economy. This is a hurdle that any good price measure looks to overcome for policymakers and the public by providing a simple index measure to assess the changes in the general price level in the economy.
- The major change in the new series is the reclassification of many items in goods and services into separate groups. The new series will be classified in a four-tier system of division, group, class and sub-class. The various items i.e. either a good or a service will be classified into one sub-class, which shall be a part of a class, and which will further be represented in a group, and may such groups of similar characteristics will form a division.



Source : MoSPI

For example, rice is an item which will be first classified into a sub-class of cereals, that will be classified into a bigger Cereals & Products class, which will then be further classified into the larger category of food which is a group and finally its classification will end in the largest category of a division which is : Food & Beverages. This system has more clarity in terms of classification as compared to the old series where the demarcation was not so clear as the class and sub-class classification were missing.


**Box 1: Changes in Classification methods for the new CPI.**

- ❖ CPI 2012 – To represent data, items are classified into 23 Sub-groups and 6 Groups in CPI 2012 series. The series was partially aligned with UNSD endorsed classification system i.e. Classification of Individual Consumption According to Purpose (COICOP) 1999.
- ❖ CPI 2024 – The latest classification framework is COICOP 2018. The CPI 2024 series is mostly aligned with COICOP 2018 with 12 Divisions, 43 Groups, 92 Classes and 162 Sub-classes.
- ❖ To ensure mapping of HCES 2023-24 items as per COICOP 2018 classification system, some adjustments have been done by suitably modifying the names of the items.
- ❖ The mapping will ensure the comparability of India's CPI with the CPIs across the world.

*Source: Expert Group Report on Comprehensive Updation of Consumer Price Index, January 2026, Price Statistics Division National Statistics Office, Ministry of Statistics & Programme Implementation, Government of India*

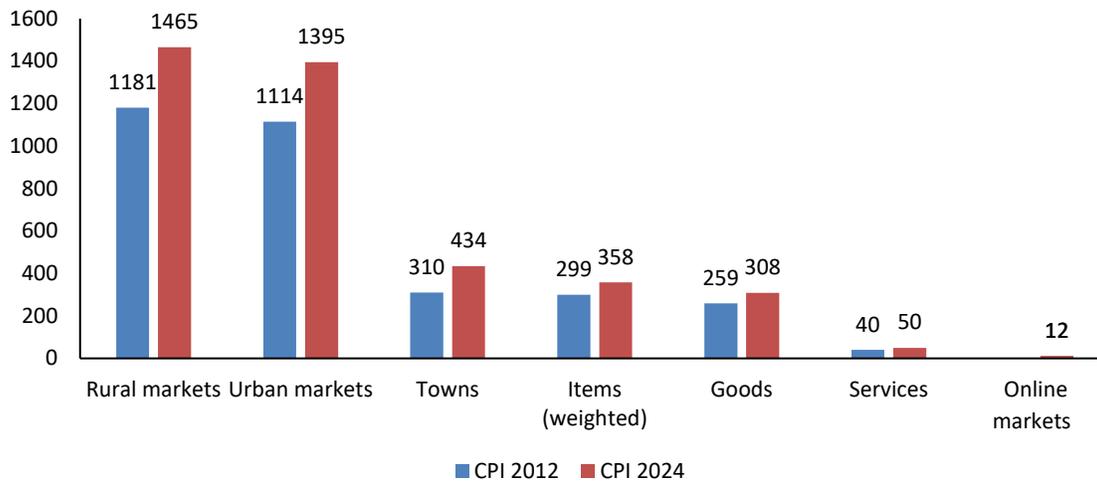
**Advantages of the new Classification:**

- **Improved Coverage:** the sample markets in both rural and urban areas are increased considerably in CPI 2024 series. The price data will be collected from 1465 rural markets and 1395 urban markets across 434 towns. Total number of weighted items in this basket will be 358. Among these items, goods will increase from 259 to 308 and services from 40 to 50 items.
- **Online markets included:** 12 online markets are also added across 12 towns having more than 25 lakh population to capture price variations of the items on the e-commerce/online platforms.
- **Inclusion of Alternative Data Sources:** In CPI 2012, all data is collected from the physical or brick & mortar shops. As per the HCES 2022-23, the share of expenditure by the households, through online platforms was 4.0% in rural areas and 10.5% in urban areas. All items of CPI basket are mapped to the most popular platform available in the town.



- **Housing coverage:** CPI 2024 will disseminate data on Rural housing which was missing in the CPI 2012 series. In addition to this to avoid distortions arising out of off-market rents through employer provided accommodation - employer provided housing will be excluded from the CPI 2024 making the housing inflation more representative of the rentals experienced in the actual market.

**Chart1: Coverage change at an All India level**



Source: MoSPI

### Some important methodological changes:

- The CPI 2024 reverts to computing the higher indices i.e. the group and division level indices based on the weighted arithmetic mean instead of the earlier method of the geometric mean which was adopted in CPI 2012 owing to the geometric mean being more stable as compared to the arithmetic mean.
- **Free social transfers will not be included in CPI compilation.**
  - Items for which household expenditure becomes zero due to free provision will be excluded from the CPI basket.
  - Items for which base prices become zero due to free provision, even if HCES reports expenditure, will not form part of the CPI 2024 basket.
  - If an item currently has positive expenditure and prices, but its price becomes zero in future due to free provision, the zero price will not be used for index compilation; instead, the price will be treated as missing and imputed using the prescribed missing-price imputation methodology.



- If free PDS items which are excluded from the CPI compilation become priced, it will not be reflected in the CPI 2024 series. Decision on the same will be taken during the next base update.

### The Impact of the Change on Inflation:

CPI 2024 might be vulnerable more to price volatility as the underlying methodology has now reverted to computing the weighted arithmetic mean for higher indices (aggregated indices) as compared to the earlier geometric mean used for compilation of the higher indices in CPI 2012. The change in major groups and divisions in the old and new series is as follows:

Group	CPI 2012	Weight
1	Food & Beverages	45.86
6	Miscellaneous	28.32
4	Housing	10.07
5	Fuel & Light	6.84
3	Clothing & Footwear	6.53
2	Pan Tobacco & Intoxicants	2.38
	<b>Total</b>	<b>100</b>

Division	CPI 2024	Weight
1	Food and beverages	36.75
2	Housing, water, electricity, gas and other fuels	17.66
3	Transport	8.80
4	Clothing and footwear	6.38
5	Health	6.10
6	Personal care, social protection and miscellaneous goods and services	5.04
7	Furnishings, household equipment and routine household maintenance	4.47
8	Information and communication	3.61
9	Restaurants and accommodation services	3.35
10	Education services	3.33
11	Paan, tobacco and intoxicants	2.99
12	Recreation, sport and culture	1.52
	<b>Total</b>	<b>100.00</b>

Source: MoSPI



### **Food inflation: Is it comparable entirely to the old series?**

The biggest change in weightage in CPI 2024 is for the Index of food and beverages as the weightage in the new series is significantly lower than CPI 2012 at 36.75 per cent as compared to the hefty 45.9 per cent. Though it would be incorrect to compare the group of Food and Beverages in CPI 2012 to the division in CPI 2024 named Food and Beverages as the components are mixed to an extent as to be non-comparable. Dr Saurabh Garg Secretary, MoSPI, observing the same states that *“For instance, after reclassification in accordance with COICOP, the effective reduction in the weight of food and beverages is 36.75 per cent under the new CPI, from 42.62 per cent in CPI 2012. If the old classification system were followed, the share of food and beverages would have declined broadly from 45.86 per cent to 40.1 per cent.”*<sup>1</sup>

**Core Inflation:** On the issue of compilation and dissemination of core inflation by MoSPI, it was recommended by the Expert Group (EG) that since there is no uniform definition of core inflation, MoSPI should not publish core inflation as it may be interpreted in different ways by different stakeholders.

### **Concluding Observations:**

The endeavor to reset crucial data series such as the CPI-(C) is a gargantuan effort on the part of the MoSPI. Deliberations on the structure of data points and weighting schemes have been going on since the HCES 2022-23 report was released. The new series is more representative of the current basket of consumption and the expenditure patterns observed across the country through the surveys and sampling done at a national level by MoSPI. While the series retains many elements of the old series i.e. CPI-2012, a reclassification based on the COICOP 2018, has made the CPI-(C) 2024 a completely different series in terms of the weighting scheme. It would be remiss to simply compare the old and new series in a linear fashion.

**Reference:** *Expert Group Report on Comprehensive Updation of Consumer Price Index, January 2026, Price Statistics Division National Statistics Office, Ministry of Statistics & Programme Implementation, Government of India*

---

<sup>1</sup> Rebuilding the Consumer Price Index – Business Standard, Tuesday 10 February 2026. Italics are ours



**STCI Primary Dealer Ltd.**

CIN: U67110MH2006PLC165306

A/B1- 801, A Wing, 8th floor, Marathon Innova, Marathon Next Gen Compound,  
Off. Ganpatrao Kadam Marg, Lower Parel (w), Mumbai 400013.

Dealing Room: (022) 66202217-20 • Settlements: (022)66202262-64, Fax (022) 66202288

Delhi Office: (011) 47676557-58 • Kolkata Office: (033) 40611435-36 • Bengaluru Office: (080) 42183166/1021

Please mail your feedback to [stcipd@stcipd.com](mailto:stcipd@stcipd.com)

- Website: <http://www.stcipd.com>
- Twitter: <https://twitter.com/stcipd>
- LinkedIn: <https://www.linkedin.com/company/stci-primary-dealer-ltd/>

THIS COMMUNICATION IS FOR INTENDED USERS ONLY. IT IS BASED UPON THE INFORMATION GENERALLY AVAILABLE TO PUBLIC AND CONSIDERED RELIABLE. THIS REPORT DOES NOT CONSTITUTE AN INVITATION OR OFFER TO SUBSCRIBE FOR OR PURCHASE OR SALE OF ANY SECURITY AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER WITH STCI PRIMARY DEALER LTD.