

E.3. T N SRINIVASAN, “Price Indices and Inflation Rates”, *Economic & Political Weekly*, Vol. 43, No. 26 and 27 June 28, 2008; pp. 115-123.

The author has discussed the quality of India’s inflation statistics and has suggested for a revised new producers price index. The official wholesale and the consumer price indices are particularly discussed in detail. He also concentrated on the impact of irregular incorporation of new products, changes that influence the quality of the product and the deficiencies faced. The article talks much about Price Indices and Their Deficiencies, Boskin Commission Report, Inflation Rates and Seasonal Adjustment and Proposals for Reform. The author suggests the Boskin Commission report for overstate inflation rates and understate the growth in productivity. The report explains the proper procedures for compilation of price indices systematically incorporate new products and adjust for quality improvements that apparently proved inadequate. The author concludes and gave proposals that includes designing a procedure for accommodating changes in quality, the structure of outlets, and the entry into the market of new commodities, the objective of establishing a cost of living index (COLI) as the goal of measuring consumer prices and finally replacing WPI with a producer price index with the modification that’s reflect systematically changes in quality, new commodities with proper services. The author also suggests that instead of four CPIs, two (urban and rural) retail price indices for India as a whole, and also for the states and union territories should be compiled and four COLI one for each of two sub-groups of population in rural and urban areas, to be put together based on data from “thin” and “thick” rounds of NSS.

E.3. RUDRANI BHATTACHARYA, “Early Warnings of Inflation in India”, *Economic & Political Weekly*, Vol. 43, No. 49, December 06, 2008; pp. 62-67.

The paper states that the year-on-year (YOY) change in the wholesale price index (WPI) is considered to be the best measure of inflation in India. The monthly data observations not only influence the change in inflation, it discusses much about inflation pressures also. The analysis on the individual month-on-month price changes

yields more timely information about inflation. The analysis of point-on-point (POP) inflation yield early warnings about the onset or ending of high inflation episodes. The paper's main objective is tracking the change in price indices in a shorter time frame (WOW or MOM) instead of YOY is able to give us a more accurate sense of price pressure. Tracking the price pressure helps in timely adoption of appropriate policies. Standard methodologies are applied for seasonal adjustment to Indian inflation data. The results give information on seasonally adjusted (POP SA) inflation. He focused much on POP SA inflation and new ways that control inflation. The data resources used for analysis are taken from CMIE's *Business Beacon* database. Techniques such as Ordinary Least Squares (OLS) and robust regression are used. The author analysed the inflation in three high inflation episodes 1994-95, 2007 and 2008 from the obtained information. Large POP SA change took place in April 1994 with the 90-day interest rate in the economy - 7.36%. Then the 2007 high inflation episode, POP SA data shows that inflationary pressures erupted in May 2006 and ended in October 2006. In 2008 high inflation episode, POP SA data shows that inflationary pressures erupted in December 2007. The author suggested that the POP seasonally adjusted data examined will play a useful role in the effort of forecasting inflation and thus supporting the effort of monetary policy reform.

E.3. JEEVAN KUMAR KHUNDRAKPAM, "Have Economic Reforms Affected Exchange Rate Pass-Through to Prices in India?" *Economic & Political Weekly*, Vol. 43, No. 16 April 19, 2008; pp. 71- 79.

The author made a complete study on the exchange rate pass-through to domestic prices in India during the post-economic reform period. The results showed fairly robust evidence of increase in pass-through for the recent years. The source of the data is from the *Handbook of Statistics on Indian Economy* – Reserve Bank of India. The monthly data during the period 1990 to 2005 was used. The rolling five years average showed the annualized average month-to-month inflation declined from over 10 per cent to around 4 to 5 per cent. Volatility also declined but too a much lesser extent. The investigated results are in contrast to a decline in pass-through observed in several countries since the 1990s. A large domestic economy liberalises, and

gets increasingly integrated with the global economy, the influence of the external sector, including the exchange rate movement, could become substantial during the transition. The monetary policy can be implemented in assessing the inflationary situation, where a greater need has been raised now to monitor the impact of exchange rate movement than before, as assuming an unchanged or lower pass-through could mean underestimating the future inflation, followed by removing large exchange rate volatility as an important monetary policy objective of RBI is vindicated, increased inflation persistence needs to be controlled as it has led to higher total pass-through when short-run pass-through appears to have stabilised. The author explains a greater monetary autonomy with credible monetary policy can be achieved with a prudent fiscal policy, and not with fiscal profligacy. The author concluded that besides economic factors, the higher inflation is considered to be one of the important factors for the rise in pass-through.