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# Why Inflation Rate Is Not the Same as Affordability: India's Hidden Squeeze

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# Why Inflation Rate Is Not the Same as Affordability: India's Hidden Squeeze

The Indian Express 30 May 2026 **GS3**

**IE** The Indian Express

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## INTERVIEW ANGLE

"India's headline CPI inflation is benign at ~3.48% (April 2026), yet household surveys show worsening affordability. As an RBI Monetary Policy Committee member, how do you balance the FIT mandate (4% ± 2% target) with the underlying affordability crisis?"

INDIAN EXPRESS | EXPLAINED ECONOMICS | MAY 30, 2026

Argues that

**HEADLINE CPI INFLATION (3.48% IN APRIL 2026, NEAR 14-MONTH LOW)**

understates the **affordability squeeze on Indian households** — because CPI tracks **price-change rates**, not **price levels relative to income**. Calls for **affordability-based metrics** in policy alongside inflation targeting.

## THE ARGUMENT IN ONE LINE

When inflation is low but **price levels accumulated over a decade are high** and **median real wages have stagnated**, households experience the **price level**, not the **rate of change** — which is why the official CPI's "benign" 3.48% feels disconnected from the lived experience of essential affordability.

## THE NUMBERS

INDICATOR	APRIL 2026 (LATEST)	IMPLICATION
<b>CPI (Combined)</b>	<b>3.48%</b> YoY — a 14-month low	Below RBI's FIT midpoint of 4%
<b>Food inflation (CPI Food + Beverages)</b>	<b>4.20%</b> YoY	Above headline; still feels expensive
<b>Core inflation (CPI ex-food, fuel)</b>	~3.5-3.8%	Sticky
<b>WPI (Wholesale Price Index)</b>	<b>8.30%</b> (42-month high, April 2026 release)	Sharp divergence from CPI; producer-side cost pressure
<b>MPC repo rate</b>	<b>5.25%</b> (April 2026 MPC; neutral stance)	Within FIT band; supportive of growth
<b>CPI base year</b>	2012	Long overdue revision; 2024 ICE survey data hasn't yet rebased CPI

## WHY CPI UNDERSTATES AFFORDABILITY

CPI TRACKS	WHAT IT MISSES
<b>Rate of change</b> in prices	<b>Cumulative level</b> of prices since base year
<b>Average price changes</b>	Distributional impact (poor vs rich households)
<b>Weighted basket</b> (food 45.86% of CPI)	Compositional shifts (Indians spending more on health, education, telecom than the 2012 basket assumes)
<b>Quality-adjusted price</b> in some categories	Sticker-price experience that consumers report

## THE REAL AFFORDABILITY STORY

Three concrete examples:

- Atta, dal, oil** — CPI shows ~5-6% growth, but the **level** is 60-80% higher than 2014 baseline. For a household at the **median income** (~₹25,000/month), food now consumes ~50% of expenditure (vs ~40% a decade ago).

- ② **Healthcare** — out-of-pocket expenditure (OOPE) remains ~50% of total health spend; even with PMJAY, catastrophic health spending pushes ~6 crore people into poverty annually.
- ③ **Education** — private-school fees have grown 9-12% annually; private-university tuition is ₹6-15 lakh/year. CPI's education-services index undercaptures the inflation of "quality" education.

## THE REAL-WAGE STAGNATION LAYER

INDICATOR	TREND
<b>PLFS Q4 (Jan-Mar 2026) urban unemployment</b>	6.6%
<b>Female LFPR</b>	Rising (45.9% rural, up from 37.5%) — but mostly informal/agricultural
<b>Real-wage growth (regular wage workers)</b>	~1-2% annually 2017-2024 (RBI KLEMS data) — barely above zero
<b>Real-wage growth (casual workers, rural)</b>	Marginally negative in many years

When **real wages are stagnant** and **CPI is 3.5%**, the household experience is **steady price levels eating slow nominal income gains** — not the "easing inflation" headline.

## WHAT THE COLUMN RECOMMENDS

- ① **Affordability index** — a parallel statistic tracking price-of-essentials as a share of median household disposable income (à la the Anker Living Wage methodology).
- ② **CPI revision** — long-overdue rebase from 2012 to 2024 (HCES 2022-23 data now available); reweight food, healthcare, education, telecom.
- ③ **Disaggregated CPI** — separate indices for bottom quintile, middle quintile, top quintile (so policy can target the squeeze).
- ④ **MPC's FIT review** — the **FIT framework is being reviewed for 2026-31**; consider adding affordability as a sub-target alongside the **4% ± 2% inflation band**.
- ⑤ **Real-wage policy** — Code on Wages 2019 operationalisation; rural wage floor maintenance post-MGNREGA transition (VB-GRAMG from July 1, 2026).

## WHY IT MATTERS NOW

- **Below-normal monsoon (92% LPA, IMD forecast)** → food inflation risk for Kharif crops.

- **West Asia oil shock + WPI 8.30%** → cost-push inflation pipeline.
- **MGNREGA → VB-GRAMG transition (July 1, 2026)** → rural wage-floor uncertainty.
- **₹2.17 lakh crore equity FPI outflow** (Jan-May 15, 2026) → rupee depreciation ~4.9% Feb-May → imported-inflation pressure.

## UPSC HOOKS

PAPER	ANGLE
<b>GS3</b>	Inflation; FIT framework; CPI methodology; real wages; affordability; monetary-fiscal coordination
<b>Mains</b>	“India’s headline CPI inflation is benign while affordability concerns are mounting. Examine the divergence and suggest policy reforms.”
<b>Prelims</b>	CPI base year (2012; revision pending); CPI food weight (45.86%); WPI base year (2011-12); FIT framework (4% ± 2% band; under review 2026-31); MPC composition (6 members – 3 RBI + 3 GoI); PLFS launched 2017; HCES 2022-23 released 2024; CCTS 2024 (carbon market)

## CROSS-LINKS

- RBI MPC April 2026 (repo at 5.25%, neutral stance)
- WPI 8.30% (April 2026)
- HCES 2022-23 (consumption survey, 11-year gap)
- Code on Wages 2019
- VB-GRAMG Act 2025 (effective July 1, 2026)
- FIT review for 2026-31 period

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