Consumer price index, retail price index and gdp deflator

Literature, Russian Literature

CONSUMER PRICE INDEX, RETAIL PRICE INDEX AND GDP DEFLATOR of Mankiw p. 43) definesConsumer Price Index (CPI) as an economic tool used by economists to measure changes in price levels of goods and services consumed by urban households. While referring to the United States Bureau of Labor Statistics, Wisconsin University (2012) defines CPI as the determinant of the average periodical changes in the prices paid by urban households for goods and services consumed. Wisconsin University (2012) further clarifies that CPI does not cover or consider changes in the prices of other commodities like security, water and health among others.

Retail Price Index (RPI) refers to an economic principle used by economists to determine the set of goods and services that a typical household is capable of buying every month (Feenstra, 2002, p. 7). Items covered by this principle include food, housing, heating, petrol and bus fares. According to Grant and Vidler (2000, p. 14), Gross Domestic Product deflator (GDP deflator) is a principle in economics used to measure average prices of all new and final products produced locally in the economy of a given country. The GDP deflator is a crucial economic tool used by leading economists in an economy to determine by what extent a change in the GDP of a given year relied on the price fluctuations of locally produced goods and services (Tracy 2007, p. 21). When regarded collectively, the principles of Consumer Price Index (CPI) and Retail Price Index (RPI) can help in controlling inflation in given products in an economy. For example, the two principles can help a government to determine and fix prices of certain basic goods like food and shelter.

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