

Exploring the Relationship between PPI and CPI

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This paper focuses on the demonstration study, through related analysis on various samples, on the relation between PPI and CPI, based on the resident consumption price index and the price index of industrial products in Shandong province since 1989. The paper also analyzes the relation among different price index's, their transfer regulation and the degree of influence on one another. The study result shows that resident consumption price index relates the most to the factory price index of daily living products, the second to the factory price index of production materials, and the least to the purchase price index of raw materials, fuel and power. The price change of energy and raw materials at the upper level will naturally be reflected in the factory price of industrial products at the lower level and price of daily living products in the end. It is a long influence process from the price of raw materials for industrial production to the factory price of industrial products, including production materials and daily living products, and finally to the resident consumption price. The price influence process somehow lags behind the production and consumption process for a certain period. The rise and fall of industrial products price index is the earliest signal for economic development trend and to which the government and the industry must attach high importance.



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