

*In the Name of God*

**A Survey of the Relationship among PPI, WPI, and CPI  
(Vector Autoregression (VAR) Approach)**

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**Abstract**

Economic indicators are essential instruments used in economic studies for policy impact analysis, planning, and short- and long-term decision making. Among these indicators, Consumer Price Index (CPI), Producer Price Index (PPI), and Wholesale Price Index (WPI) merit special attention, in fiscal and monetary policy design and implementation.

Different level and changes in the said three indices reflect different trends in the retail, wholesale and producer markets. Hence, there exists a relationship and lead-lag effects among these variables, which is of policy concern and importance in market trend analysis over the course of time. The demystification of these relationships and impacts are of utmost importance for economic policy making.

In this context, the current study explores the literature and similar studies in other countries to evaluate price relationship and price transfer mechanism in the Iranian market, using VAR (Vector Autoregression) Approach. Based on the data availability, the evaluation period covers 1369-86 (1990/91-2007/08).

The study finds that there exists a one way relationship from PPI into other two indices. In other words, inflation in the Iranian economy has cost-push genesis, with implications for wholesale and retail market price transmission.

**Keywords:** Producer Price Index (PPI), Wholesale Price Index (WPI), Consumer Price Index (CPI), Price Transfer Mechanism