

Evidence of repressed inflation in India

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Abstract

In this paper, I describe evidence of repressed inflation in India.
The paper ends with "The End"

Introduction

Repressed inflation is defined as inflation that remains hidden until careful scrutiny and may surprise investors when the **repressing mechanism** fails, with a small probability of unleashing high inflation in the economy.

In this paper, I describe evidence of repressed inflation in India.

Evidence of repressed inflation in India

Using data from **the World Bank**, we find evidence of repressed inflation in India. The inflation data is **robust** to 13 digits of rounding accuracy but **repressed inflation** is clearly observed beyond 13 digits of rounding accuracy.

Economic interpretation of repressed inflation

Repressed inflation can be economically interpreted as a **partial equilibrium** in the economy. In such a situation, the mechanism of repressed inflation is almost certainly demanded by foreign economies for two reasons:

1. Foreign investors demand to know the mechanism to price domestic inflation risk correctly.
2. Economists, both domestic and foreign, demand to know the repressing mechanism to apply it to their own economies and sub-economies.

Data and empirical analysis

The data and empirical analysis is available at <https://drive.proton.me/urls/B37937AAX0#7HLhWC89xXAf>.

Conclusion

We observe repressed inflation between the time-series of annual inflation and the corresponding CPI inflation. The differences are robust to the 13 digits of accuracy but robustness fails thereafter.

Repressed inflation **may be a good** because, unless the repressing mechanism fails, inflation in India has been observed to be medium: neither too low nor too high.

Further studies are required to **infer** if the repressing mechanism is required for the future or not.

The End