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Measuring Real Income Using Consumer Price Index (Empirical Evidence)

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The paper examines the consumer price index (CPI) that is used as official indicator at the domestic level, as it has been the basis of all official indexation, every month the CPI released by National Bureau of Statistics provides comprehensive and detailed information regarding price development over time. It also can be used to reflect the overall change in the cost of goods and services purchased by a typical consumer and used as an indicator of rate of inflation, adjust wages to compensate for lost purchasing power due to inflation and converge a price or wage to a real price or real wage to show the equivalent amount in a base period after adjusting for inflation, despite the fact that there is such available information, little is known on how can be used to estimates the purchasing power of working population earnings of which is not available at presents. The CPI deflator can inform us about true inflation as wages could directly affect the well-being and living conditions of working population, household consumption and domestic demand due to rising prices of goods and services, thus using the CPI deflators measuring how much would need to increase or decrease salary wage in order to make as well off as the subsequent period.

In this paper will use the data released by National Bureau of Statistics in order to assess the degree of real wage adjustment needed to ascertain the real income gap, for example, it provides answers to the current purchasing power of the person’s earnings in comparison to the previous period. The research findings will help planners and policy makers to adjust salaries for working population in relation to the cost of living in the country.

Keywords: Real incomes and CPI deflators