

# Are Seasonal Adjustment Method and HP-Filter Useful for Estimating Core Inflation in India?

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## Abstract

In this paper, usefulness of seasonal adjustment method and Hodrick-Prescott (HP) filter for estimating core inflation in Indian economy is examined. Accordingly, performance of core inflation measures based on these techniques are compared with a core inflation measure obtained from exclusion principle. Empirical results show that though seasonally adjusted inflation is marginally better than headline inflation for the purpose of monetary policy, it merits no gain when compared with the exclusion-based core inflation measure. Core inflation measures based on HP-filter, on the other hand, is inferior to headline inflation as well as other core inflation measures considered here.