



Wholesale Price Index

Why in News?

The latest data released by the **Ministry of Commerce and Industry** reveals that the [Wholesale Price Index \(WPI\) in India](#) fell to a near three-year low with deflation rate of (-) **0.92% in April**, marking its entry into **negative territory** after 33 months.

- The decline in the rate of inflation in April 2023 is **primarily contributed by fall in prices of basic metals, food products, mineral oils, textiles, non-food articles**, chemical & chemical products, rubber & plastic products, and paper & paper products.

What is the Wholesale Price Index?

- **About:**
 - It measures the changes in the **prices of goods sold and traded in bulk by wholesale businesses to other businesses.**
 - Published by the Office of **Economic Adviser, Ministry of Commerce and Industry.**
 - It is the most widely used **inflation indicator** in India.
 - Major criticism for this index is that the **general public does not buy products at wholesale price.**
 - The **base year of All-India WPI** has been revised from **2004-05 to 2011-12 in 2017.**
- **Weightage of WPI:**

All Commodities/Major Groups	Weightage (%)	Articles
All Commodities	100	
I. Primary Articles	22.6	Food Articles: Cereals, Paddey, wheat, Pulses, Vegetables, Potato Onion, Fruits, Milk, Eggs, Meat & Fish Non-Food Articles: Oil Seeds Minerals Crude Petroleum
II. Fuel & Power	13.2	LPG, Petrol, High Speed Diesel
III. Manufactured Products	64.2	Mf/o Food Products: Vegetable And Animal Oils and Fats. Mf/o of Beverages. Mf/o of Tobacco Products, Wearing Apparel, Pharmaceuticals, Medicinal Chemical and Botanical Products, and other Non-Metallic Mineral Products etc.

Food Index	24.4	The Food Index consists of ' Food Articles ' from Primary Articles group and 'Food Products' from Manufactured Products group .
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▪ **Factors Influencing WPI Inflation:**

- **High Base Effect:**
 - Experts suggest that WPI inflation is expected to remain moderate due to the high base effect.
- **Easing Global Commodity Prices:**
 - The decline in global commodity prices is anticipated to help keep inflation of manufactured products at a lower level.
- **Food Inflation and Monsoon Prospects:**
 - The prices of [wheat](#), affected by market conditions, need to be monitored.
 - Additionally, the monsoon's impact on the inflation of [Kharif crops](#) is a concern.

What is the Difference Between WPI and CPI?

- WPI tracks **inflation at the producer level** and [Consumer Price Index \(CPI\)](#) captures changes in **prices levels at the consumer level**.
 - Both baskets **measure inflationary trends (the movement of price signals) within the broader economy**, the two indices differ in which weightages are assigned to food, fuel and manufactured items.
- WPI does not capture changes in the **prices of services**, which CPI does.
- **In WPI, more weightage is given to manufactured goods**, while in **CPI**, more weightage is given **to food items**.
- Base year of WPI is 2011-2012 while for CPI is 2012.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q.1 With reference to Indian economy, demand-pull inflation can be caused/increased by which of the following?

1. Expansionary policies
2. Fiscal stimulus
3. Inflation-indexing of wages
4. Higher purchasing power
5. Rising interest rates

Select the correct answer using the code given below:

- (a) 1, 2 and 4 only
(b) 3, 4 and 5 only
(c) 1, 2, 3 and 5 only
(d) 1, 2, 3, 4 and 5

Ans: (a)

Q.2 Consider the following statements: (2020)

1. The weightage of food in Consumer Price Index (CPI) is higher than that in Wholesale Price Index (WPI).
2. The WPI does not capture changes in the prices of services, which CPI does.
3. Reserve Bank of India has now adopted WPI as its key measure of inflation and to decide on changing the key policy rates.

Which of the statements given above is/are correct?

- (a)** 1 and 2 only
- (b)** 2 only
- (c)** 3 only
- (d)** 1, 2 and 3

Ans: (a)

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